

Leicestershire Pension Fund Audit Progress Report

Year ending 31 March 2021

18 November 2021



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Introduction

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This paper provides the Pensions Committee with a report on progress in delivering our responsibilities as the Pension Fund's external auditors.

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Progress at November 2021

Financial Statements Audit

Our audit work was carried out remotely during the August to November period. Key matters arising from the audit are set out on the following pages.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion. A number of amendments have been agreed to the financial statements as set out on pages 5 and 6.

We will provide our formal ISA 260 Audit Findings Report to the Council's Governance Committee on 3 December. At the time of issue of this report, the following completion matters are outstanding:

- final audit housekeeping steps
- updating our post balance sheet events review, to the date of signing the opinion
- receipt of management representation letter; and
- review of the final set of financial statements and annual report.

Our anticipated audit report opinion will be unqualified.

Significant audit risks

Risks identified in our Audit Plan

The valuation of Level 3 investments is incorrect

Auditor commentary

We have:

- evaluated management's processes for valuing Level 3 investments
- reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met
- independently requested year-end confirmations from investment managers and custodians
- for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2020 with reference to known movements in the intervening period
- in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert
- tested revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register
- where available reviewed investment manager service auditor report on design effectiveness of internal controls.

An adjustment to the draft accounts has been actioned following the receipt of updated 31 March 2021 valuations for elements of the pension fund's investment assets. This has resulted in an increase in the value of investments, and in the gain on investments during the financial year, of £35.5m.

Other matters arising

Matter arising

Classification of investment assets

Auditor commentary

We reviewed the classification of other investment assets as part of our audit procedures during 2020/21.

The majority of investment assets were classified as “level 1” in the draft financial statements. Following discussion with management we agreed that a proportion of these assets would be reclassified to “level 2” due to their nature.

The total adjustments to the figures for financial assets at fair value were:

	Level 1 £m	Level 2 £m
Per draft accounts	3,433.1	0
Agreed amended accounts	2,403.0	1,030.1

Other control or reporting issues

No other significant control or reporting issues were identified during the audit process.



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