

Suffolk Pension Fund

Pensions Committee and Audit Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

24 & 25 September 2015



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Section 1

Executive summary

Executive summary – key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Suffolk County Council Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. We also report our findings to the Pensions Committee. This report summarises the findings from the 2014/15 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess consistency of the financial statements within the pension fund annual report .

Financial statements

- ▶ As at 5 September 2015, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the very few matters we have to communicate, that the Fund continues to prepare its financial statements to a high standard. There are a small number of areas of our work that are still in progress as at the date of drafting this report, as highlighted on page 10. We expect these to be substantially complete by the time the Pensions Committee and Audit Committee take place.

Pension Fund Annual Report

- ▶ We have received the draft version of the Pension Fund Annual Report and our work in this area is ongoing. We will update the Members of the Pensions Committee and Audit Committee following the conclusion of this work.

Section 2

Extent and purpose of our work

Extent and purpose of our work

The Fund's responsibilities

- ▶ The Fund is responsible for preparing and publishing its Statement of Accounts.
- ▶ The Fund is also responsible for preparing and publishing its Pension Fund Annual Report, incorporating its Statement of Accounts.

Purpose of our work

- ▶ Our audit was designed to:
 - ▶ Express an opinion on the 2014/15 financial statements
 - ▶ Report on whether information in the Annual Report is consistent with the financial statements

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Fund's accounting policies and key judgments.

This report is intended solely for the information and use of the Fund. It is not intended to be and should not be used by anyone other than the specified party.

Section 3

Addressing audit risks

Addressing audit risks – significant audit risks

We identified the following audit risk during the planning phase of our audit, and reported this to you in our Audit Plan. Here, we set out how we have gained audit assurance over this issue.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Audit risk identified within our audit plan	Audit procedures performed	Assurance gained and issues arising
<p>Significant audit risks (including fraud risks)</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Reviewed accounting estimates for evidence of management bias; and • Evaluated the business rationale for significant unusual transactions. 	<p>Our planned procedures in relation to this risk are complete. We have identified no findings that would indicate there is a risk of material misstatement due to fraud or error.</p>

Addressing audit risks – other audit risks

We identified the following other audit risk during the planning phase of our audit, and reported this to you in our Audit Plan. Here, we set out how we have gained audit assurance over this issue.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Other audit risks		
<p>In October 2014 the custodian of the pension fund changed from State Street to HSBC. This presents a risk that information may be incorrectly transferred or reported in the 2014/15 financial statements.</p>	<ul style="list-style-type: none"> • Updated our understanding of the new custodian as a service organisation to the pension fund; • Evaluated the scope of the work performed by the internal audit team, reviewing a sample of the work of internal audit relating to the change in custodian; • Reviewed the transfer of information to the new custodian; • Reviewed the reconciliation of balances between the former and new custodian; and • Reviewed the reporting of investment balances provided by the new custodian. 	<p>Our planned procedures in relation to this other audit risk are complete. We have identified no issues that require reporting to either the Pensions or Audit Committee.</p>

Section 4

Financial statements audit – issues and findings

Financial statements audit – issues and misstatements arising from the audit

Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the **Pensions Committee and Audit Committee meetings**:
 - ▶ Annual Report
 - ▶ Final review and completion procedures
 - ▶ Receipt of a Letter of Representation
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an **unqualified audit report** on the financial statements.

Uncorrected misstatements

- ▶ We have not identified any misstatements within the draft financial statements, which management has chosen not to adjust..

Corrected misstatements

- ▶ During the course of our audit we identified a small number of minor disclosure issues for which management amended the financial statements. None of these are considered significant enough to warrant reporting to Members.

Other matters

- ▶ As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Fund's financial reporting process including the following:
 - ▶ Qualitative aspects of your accounting practices; estimates and disclosures;
 - ▶ Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
 - ▶ Any significant difficulties encountered during the audit; and
 - ▶ Other audit matters of governance interest.

We have no matters we wish to report.

Financial statements audit – application of materiality

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item		Amount (£m)
Planning Materiality and Tolerable error	<p>We determined planning materiality to be £18.8 million (2014: £18.8 million), which is 1% of Net Assets reported in the accounts of £2,198.4 million. We consider Net Assets to be one of the principal considerations for stakeholders in assessing the financial performance of the Fund.</p> <p>We set a tolerable error for the audit. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion.</p> <p>We have set tolerable error at the upper level of the available range because there were no material or significant corrected errors in the prior year financial statements.</p>	18.8
Reporting Threshold	<p>We agreed with the Pensions Committee and Audit Committee that we would report all uncorrected audit differences in excess of £0.9 million (2014: £0.9 million).</p>	0.9

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Financial statements audit – internal control, written representations and whole of government accounts

Internal control

- ▶ It is the responsibility of the Pension Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Pension Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.
- ▶ We have tested the controls of the Pension Fund only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.
- ▶ We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Request for written representations

- ▶ We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We are not requesting any specific representations over and above the standard ones.

Section 5

Independence and audit fees

Independence and audit fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 3 March 2015.
- ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Suffolk Pensions Committee on 24 September 2015 and the Suffolk County Council Audit Committee on 25 September 2015.

- ▶ We confirm that we have met the reporting requirements to the Suffolk County Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements were set out in our Audit Plan dated 3 March 2015.

Audit fees

- ▶ The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2014/2015	Scale fee 2014/2015	Variation comments
	£	£	
Audit Fee: Code work	25,026	25,026	N/A

- ▶ Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

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