

Audit and Standards Committee

25 March 2022

Warwickshire Pension Fund - External Audit Annual Plan and Risk Assessment 2021/22

Recommendation

That the Audit and Standards Committee considers and comments on the Audit Risk Assessment for 2021/22, attached at Appendix 1.

1. Purpose of the Report

- 1.1 The Pension Fund is asked by the external auditors to provide an audit risk assessment to help to inform external auditors of risks and issues that may impact on the accounts and therefore help external audit in focusing attention on key issues. This documents the Pension Fund's key risk areas and the management response to these. The Audit and Standards Committee are asked to consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.
- 1.2 Key issues and significant changes in comparison to last year are summarised in the following table:

Audit Risk Assessment – Summary of Key Issues and Changes

Heading	Key Issues/Changes
General Enquiries of Management	<ul style="list-style-type: none">• The development of new fund offerings with Border to Coast Pension Partnership continues.• Although the position is changing, Covid remains a risk.• The Russia/Ukraine conflict may have direct and indirect consequences for the Fund.• The Fund is now back to having a full complement of Independent Advisers to the Investment Sub Committee (Bob Swarup from Camdor Global Advisers and Anthony Fletcher from MJ Hudson).

Heading	Key Issues/Changes
Fraud Risk Assessment	<ul style="list-style-type: none"> The Fund has a draft Anti-Fraud and Corruption Policy passing through committee and the Local Pension Board and due for approval in early 2022/23. The fund was subject to an internal audit in respect of counter fraud in 2021/22 resulting in an audit opinion that there is “substantial” assurance provided by controls. Errors (not fraud related) in respect of Guaranteed Minimum Pension have led to some overpayments and underpayments. Pension Fund transfer scams remain a significant risk.
Laws and Regulations	<ul style="list-style-type: none"> A project to implement the requirements of McCloud commenced during 2021/22.
Related Parties	<ul style="list-style-type: none"> A new section that has been added, no issues to highlight.
Going Concern	<ul style="list-style-type: none"> A new section that has been added, no issues to highlight.
Accounting Estimates	<ul style="list-style-type: none"> A new section that has been added. Additional activity to estimate “Level 3” valuations will occur but there remains a risk of these funds moving materially after the balance sheet date. (Level 3 investments are the most difficult to value, where funds are not valued based on observable market data and where and the valuation can be sensitive to a single input. For the Pension Fund this refers to private equity, private debt, and infrastructure investments).

2. Financial Implications

2.1 There will be an audit fee in respect of external audit work which is budgeted for.

3. Environmental Implications

3.1 None

Appendices

1. Appendix 1 – Informing the Audit Risk Assessment for Warwickshire Pension Fund 2021/22.

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The report was circulated to the following members prior to publication:

Local Member(s): n/a – pension fund

Other members: