



Audit findings update - Nottinghamshire County Council and Nottinghamshire County Council Pension Fund

Year ended 31 March 2019

11 September 2019



Update to Audit Findings Report



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Introduction

We presented our Audit Findings Report to the Governance and Ethics Committee at its meeting on 24 July 2019 before giving our audit opinions on the County Council and Pension Fund's accounts on 31 July 2019. This enabled the Council to meet the 31 July deadline for publishing both sets of accounts on its website.

Due to the submission timeline for reports to the Governance and Ethics Committee, the written report we provided to members for the 24 July 2019 was produced before the audit had been completed. At the meeting, we provided members with a verbal update, which confirmed our conclusions on the outstanding work. We agreed, however, to provide an updated written report to the next meeting of the Committee. This updated report is attached in full as an Annex to this summary document. In the remainder of this summary, however, we have provided an overview of our conclusions, cross referenced to the full document should members wish to review the full detail.

Overall summary

We issued unqualified opinions on the County Council and Pension Fund's statement of accounts on 31 July 2019. The only significant changes made to the accounts during the audit were as a result of the McCloud judgement, which increased the net pension fund liability recorded in the County Council accounts by £44.8m and the related disclosure note in the Pension Fund accounts by £64.9m. We also requested various minor improvements to the disclosure notes in both sets of accounts to increase compliance with the Code.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Summary of final position

This table summarises the final position in relation to the key findings from our audits of the external audits of Nottinghamshire County Council ('the Council') and the Nottinghamshire Pension Fund ('Pension Fund') and the preparation of the Council's and Pension Fund financial statements for the year ended 31 March 2019 for those charged with governance.

Area	Council	Pension Fund	AFR pages
Materiality	No change to planned materiality of £20m	Materiality revised upwards to £54m based on draft accounts.	6-7
Significant risks	No matters arising other than the impact of the McCloud judgement on the net pension liability and corresponding change to the Comprehensive Income and Expenditure Statement.	No significant matters arising in relation to valuation of 'hard to value' investments, but some improvements to investment disclosures recommended.	8-10 CC 11 PF
Key judgements and estimates	No significant findings	No significant findings, but improvements recommended in relation the Fund's processes for gaining its own assurances over investment valuations.	13-14 CC 15-16 PF
Going concern	Assumption of the Council as going concern is reasonable and we do not need to modify our audit reporting in this respect.	Assumption of the Fund as going concern is reasonable and we do not need to modify our audit reporting in this respect.	17 CC 18 PF
VFM	Having identified significant risks in relation to financial sustainability and partnership work, our work allowed us to conclude that the Council has adequate arrangements in place.	n/a	21-24
Certificate	We cannot yet certify completion of the audit because we still need to report on the consistency of the Pension Fund Annual Report, once drafted, with the audited accounts. We also need your previous auditors to finish their work on a 2015/16 objection before we can issue a certificate.	n/a	20
Fees	In addition to the scale fee of £75,624, we are proposing an additional fee of £7,500 to enable us to meet increased regulatory expectations and for the additional work arising from the McCloud case.	In addition to the scale fee of £23,043, we are proposing an additional fee of £6,000 for providing IAS19 assurances to other auditors.	35
Recommendations	We have now received satisfactory management responses to our recommendation in relation to school bank accounts.	We have now received satisfactory management responses to our recommendations in relation to pensions control issues.	26-31

