

# The Audit Findings for Worcestershire Pension Fund

**Year ended 31 March 2022**

Worcestershire Pension Fund  
November 2022



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. 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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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Worcestershire Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

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## Financial Statements

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Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed during July-August. Our findings are summarised on pages 4 to 17. We have identified no material errors in the financial statements. We have recommended a small number of adjustments to improve the presentation and disclosure of the financial statements which have now been amended for. These are detailed in Appendix B.

We commenced our post-statements audit in July and our audit is now substantially complete. Our findings are summarised on pages 4 to 17.

We have identified no material errors or adjustments to the financial statements and there are no matters arising that would require modification of our audit opinion.

We noted some non-material differences in the year end Fund Manager confirmations compared to the values shown in the accounts. For 2021/22, the final year end Fund Manager confirmations for all Level 3 Funds were £19.6 million greater than the estimated figure provided by the Custodian and used in the accounts. This is due to the fact the final information not being available when the accounts had to be produced. We have requested that management adjust these balances but management have not altered this balance as they do not consider that it is material to the accounts. We have requested confirmation of this decision in the letter of representation.

We have recommended a small number of other adjustments to improve the presentation of the financial statements. Audit adjustments are detailed in Appendix B.

The draft financial statements were presented for audit in accordance with the agreed timetable and was supported by good quality working papers and we received prompt responses to our queries.

Subject to a small number of outstanding matters, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting as detailed in Appendix D.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

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# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit approach, as previously communicated to you.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting, as detailed in Appendix D. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

## Acknowledgements

We would like to take this opportunity to record our appreciation for the excellent assistance provided by the finance team and other staff. We have successfully used a software package to share files and manage requests for information, which has helped track queries and improve the efficiency on the audit.

## 2. Financial Statements



### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the materiality used for the draft financial statements due to the net assets changing significantly from that at the planning stage, resulting in a review of the appropriateness of the materiality figure.

We detail in the table below our determination of materiality for Worcestershire Pension Fund.

|  | Pension Fund Amount | Qualitative factors considered  |
|--|---------------------|---|
| Materiality for the financial statements<br>(figures in brackets are the values at planning) | £35.5m<br>(£33.6m)  | We considered the proportion of net assets to the Fund to be an appropriate benchmark for the financial year. In the prior year we used the same benchmark. Our materiality equates to approximately 1% of your net assets for the year ended 31 March 2022   |
| Performance materiality  | £26.8m<br>(£25.2m)  | We have determined this using 75% of materiality. This is considered an appropriate benchmark as we have not identified a history of significant deficiencies in the control environment or a large number of significant misstatements in prior year audits. In addition, the management and finance team remain stable. |
| Trivial matters  | £1.79m<br>(£1.6m)   | This is based on 5% of materiality, which we consider to be an appropriate threshold to use in terms of our reporting to the Audit and Governance Committee as 'Those Charged with Governance'.   |



## 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

| Risks identified in our Audit Plan  | Commentary  |
|---|---|
| <p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals;</li> <li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li> <li>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence; and</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Our testing of estimates, judgements and journals has not identified any evidence of management override of controls. We did note that the Council's ledger does not require independent authorisation of journal entries. By way of mitigation, the Fund do have a system of manual authorisation of journals outside of the ledger and our testing found this to be operating albeit all authorisation was carried out by the same officer.</p> <p>Finance staff can also post manual journals to non manual batch types. Whilst follow up audit work did not identify any evidence of management override, this could potentially lead to journals escaping any form of authorisation process.</p> <p>In general, we found that the Finance team were not fully familiar with some controls and processes for journals (such as user listings and manual journals) and further guidance to staff may be beneficial. Improving controls in this process will reduce the opportunities for fraud and error.</p> |

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### The revenue cycle includes fraudulent transactions (rebutted)

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Worcestershire County Council as the administering body for Worcestershire Pension Fund mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for Worcestershire Pension Fund.

We have reconsidered this as part of our audit work on the financial statements and have not changed our assessment and therefore we confirm that we do not consider this to be a significant risk for Worcestershire Pension Fund.

Our audit work has not identified any issues in respect of improper revenue recognition.

#### The expenditure cycle includes fraudulent transactions (rebutted)

Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:

"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.

We have rebutted this presumed risk for Worcestershire County Council as the administering body for Worcestershire Pension Fund because:

- expenditure is well controlled and the Fund has a strong control environment; and
- the Fund has clear and transparent reporting of its financial plans and financial position to those charged with governance.

We therefore do not consider this to be a significant risk for Worcestershire Pension Fund.

We have reconsidered this as part of our audit work on the financial statements. We have not changed our assessment and therefore we confirm that we do not consider this to be a significant risk for Worcestershire Pension Fund.

Our audit work has not identified any issues in respect of improper expenditure recognition.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of Level 3 investments

The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.

By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

Management utilise the services of investment managers and custodians as valuation experts to estimate the fair value as at 31 March 2022.

We therefore identified valuation of Level 3 investments as a significant risk.

We have:

- evaluated management's processes for valuing Level 3 investments
- reviewed the nature and basis of estimated values and considered 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. Reconciled those values to the values at 31 March 2021 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.

Our audit work has not identified any significant issues in relation to the risk identified.

As highlighted above, our audit focuses on looking at external confirmations from both investments managers and the custodian, and as a result there will always be differences in when information is received compared to the information available when management are estimating the values for the accounts. For 2021/22, the final year end Fund Manager confirmations for all Level 3 Funds were £19.6 million greater than the estimated figure provided by the Custodian and used in the accounts. This is due to the fact the final information not being available when the accounts had to be produced. We have requested that management adjust these balances but management have not altered this balance as they do not consider that it is material to the accounts. We have requested confirmation of this decision in the letter of representation.

Our review of note 12A has identified that there are differences between the fund manager and custodian in relation to the breakdown of the purchases and sales figures, however these differences related only to the breakdown of the change during the year, and did not impact on the final net position as presented in the accounts. Please see the audit adjustments table in Appendix B for more detail.



## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

| Significant judgement or estimate | Summary of management's approach  | Audit Comments  | Assessment  |
|-----------------------------------|---|---|---|
| Level 3 Investments – £724.9m     | <p>The Pension Fund has investments in pooled property funds, pooled infrastructure funds and pooled debt that in total are valued on the balance sheet as at 31 March 2022 at £725m. These investments are not traded on an open exchange/market and the valuation of the investments is highly subjective due to a lack of observable inputs. In order to determine the value, management has employed expert fund managers who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts. The fund are also supported by investment advisors who are independent from the fund managers who can advise on the performance of this type of investments. The performance of these investments are scrutinised by the pension fund investment board. Officers of the fund have confirmed that they are comfortable with the assertion and it is in line with their experience gained from investment advisors and others in the sector.</p> | <p>As outlined in our testing of the valuation of level 3 investments we have;</p> <p>Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate,</p> <p>Considered the valuation techniques used against industry practice, and</p> <p>Reviewed the adequacy of disclosures of estimate in the financial statements.</p> <p>The accounts include some disclosure on the level of estimation uncertainty relating to level 3 investments, however to fully comply with the Code and the expectation of the FRC thematic review in this area there should be a greater level of detail on the nature of the assumptions, and the sensitivity of each assumption. Disclosures should provide readers with sufficient detail that they can share in management's understanding of the uncertainties underlying those estimates. Management have declined to amend the disclosure.</p> | <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p> <p>We consider that the disclosures should be amended to comply with FRC guidance.</p> |

### Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - key judgements and estimates

| Significant judgement or estimate | Summary of management's approach  | Audit Comments  | Assessment  |
|-----------------------------------|---|---|---|
| Level 2 Investments – £1,747.5m   | Level 2 investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management has employed expert fund managers who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts. The fund are also supported by investment advisors who are independent from the fund managers who can advise on the performance of this type of investments. The performance of these investments are scrutinised by the pension fund investment board. | <p>Similar to our approach for level 3 investments, we have; Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate,</p> <p>Considered the valuation techniques used against industry practice, and</p> <p>Reviewed the adequacy of disclosures of estimate in the financial statements.</p> <p>The accounts include some disclosure on the level of estimation uncertainty relating to level 2 investments, however to fully comply with the Code and the expectation of the FRC thematic review in this area there should be a greater level of detail on the nature of the assumptions, and the sensitivity of each assumption. Disclosures should provide readers with sufficient detail that they can share in management's understanding of the uncertainties underlying those estimates. Management have declined to amend the disclosure.</p> <p>We asked our valuations team to carry out an independent estimation of the value of a sample of derivatives contracts held by the Fund. The extrapolated difference for this sample was an increase of £8.1m for assets and an increase of £4.7m for liabilities.</p> | <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p> <p>We consider that the disclosures should be amended to comply with FRC guidance.</p> |

### Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - key judgements and estimates

| Significant judgement or estimate    | Summary of management's approach  | Audit Comments  | Assessment  |
|--------------------------------------|---|---|---|
| Valuation of Pension Fund Liability  | The fund has elected to take 'option B' from IAS 26 when considering the actuarial present value of promised retirement benefits, and as such presents this as a note to the accounts. Management have obtained this information from the actuary for the fund. The actuary has been provided with all of the necessary information using the annual returns required, which results in the actuary producing the valuation and required reporting paragraphs. The principal assumptions used by the actuary are in respect of mortality (longevity at 65 for current and future pensioners) and financial assumptions: rate of CPI inflation, rate of increase in salaries, rate of increase in pensions and rate for discounting scheme liabilities. The Council's Pension & Investments Manager communicates with the externally appointed actuary throughout the year and the year-end report is considered by management prior to inclusion in the financial statements. | <p>We have;</p> <p>Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate,</p> <p>Considered the data upon which the valuation has been based</p> <p>Considered the reasonableness of the assumptions used, and</p> <p>Reviewed the adequacy of disclosures of estimate in the financial statements.</p> | We consider management's process is appropriate and key assumptions are neither optimistic or cautious. |
| Measurement of Financial Instruments | The Fund values its financial instruments at fair value, as informed by the advice of external and independent Management advisors and Investment Fund Managers. Fair values are estimated by calculating the present value of cash flows that take place over the remaining term of the instruments, as provided by management experts. Management consider the exposure of each of its categories of financial instruments to credit, liquidity and market risks. Risks to accounting estimates used in our measurement of financial instruments are managed through our Pensions Investment Strategy Statement and the Funds overall risk management procedures which focus on the unpredictability of financial markets to minimise potential adverse effects on the resources available to fund sources.   | <p>We have;</p> <p>Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate,</p> <p>Considered the valuation techniques used against industry practice, and</p> <p>Reviewed the adequacy of disclosures of estimate in the financial statements.</p>   | We consider management's process is appropriate and key assumptions are neither optimistic or cautious. |

### Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - key judgements and estimates

| Significant judgement or estimate                             | Summary of management's approach  | Audit Comments   | Assessment  |
|---|---|--|---|
| Note 25 – Critical judgements in Applying Accounting Policies | The fund have included a critical judgement in relation to the methodology applied in relation to the IAS 19 assumptions. | The audit team do not consider the statements made to relate to critical accounting judgements as described by the Code. The expectation of the FRC as described in its thematic review of this area, was such that these disclosures should be limited to the judgements management make when applying it's significant accounting policies, and the judgement made must clearly distinguish the material affect on the reported numbers. Management have declined to amend the disclosure. | <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p> <p>We consider that the disclosures should be amended to comply with FRC guidance.</p> |

### Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - Internal Control

## Assessment and Recommendations

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To support the opinion on the financial statements during the previous financial year we completed an audit of the IT general controls as they affect the financial statements. A separate report was provided to management, which included a detailed consideration of the issue raised and a recommendation. Management accepted all of the recommendations in the report and provided a management response. Ten control weaknesses were noted in general IT controls, these can be summarised as follows:

- User access for terminated employees/ leavers not disabled in a timely manner
- Lack of documentation over Altair change of access rights
- Lack of documentation over testing performed for Altair upgrades
- Lack of review of information security event/audit logs
- Insufficient periodic review of user access
- Lack of documented IT operations policies
- Lack of documentation/evidence on E5 batch job completion process
- Non-compliance with the password policy
- Lack of process to proactively review IT service provider assurance reports
- No employee acknowledgement of the WCC IT Policies

The report included 6 recommendations where there were considered to be ineffective control's which could create a risk of inconsequential misstatements within the financial statements, and 4 recommendations where we identified an opportunity to improve control. We followed up on progress as part of our interim audit and found that 3 recommendations had not been fully implemented. These relate to: improved audit logs, reviews of user roles and employee acknowledgement of Council IT policy.

We will follow up progress at our next audit.

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## 2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

| <b>Issue</b>   | <b>Commentary</b>  |
|--|--|
| <b>Matters in relation to fraud</b>                              | We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.       |
| <b>Matters in relation to related parties</b>                    | We are not aware of any related parties or related party transactions which have not been disclosed.   |
| <b>Matters in relation to laws and regulations</b>               | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.   |
| <b>Written representations</b>                                   | A final letter of representation has been requested from the Pension Fund. A draft is appended.  |
| <b>Confirmation requests from third parties</b>                  | We requested from management permission to send confirmation requests to all of the fund managers that work with the Fund. This permission was granted and the requests were sent, of these requests all were returned with positive confirmation. |
| <b>Accounting practices</b>                                      | We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.                                     |
| <b>Audit evidence and explanations/ significant difficulties</b> | All information and explanations requested from management was provided.   |

## 2. Financial Statements - other communication requirements



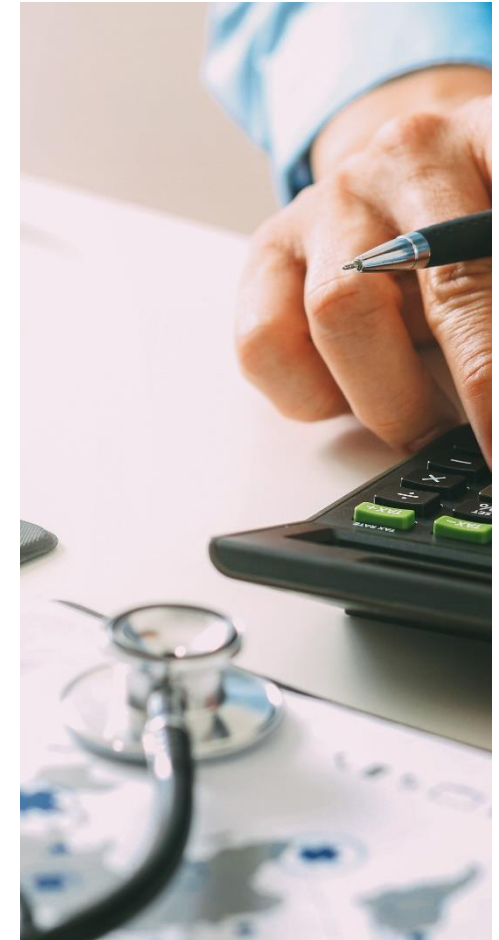
### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

| Issue         | Commentary   |
|---------------|--|
| Going concern | <p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Pension Fund and the environment in which it operates</li> <li>the Pension Fund's financial reporting framework</li> <li>the Pension Fund's system of internal control for identifying events or conditions relevant to going concern</li> <li>management’s going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul> |

## 2. Financial Statements - other responsibilities under the Code

| Issue                                   | Commentary  |
|---|---|
| Disclosures                             | Our review of disclosures identified some errors. We have highlighted these for officers and members, and where appropriate amendments to the draft financial statements have been made. We plan to issue an unmodified opinion in this respect – refer to appendix D   |
| Matters on which we report by exception | We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until December 2022 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed. |





# 3. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

- Kathryn Kenderdine acted as the in charge auditor for the audit of Worcestershire Pension Fund during the 2019/20 financial statement audit. From the 12th April 2021, Kathryn took up a post in the Internal Audit function of Worcestershire County Council. We have considered the ethical implications of this change of employment and gained assurances from the Chief Finance Officer that Kathryn will not be responsible for any part of the preparation of the financial statements for the 2021/22 financial year. We have ensured that appropriate safeguards have been in place from when Kathryn first applied for the role, through to her leaving her employment with Grant Thornton. These safeguards have included, restricting Kathryn's access to any files or documents relating to Worcestershire Pension Fund, and ensuring she is not present at any meetings where audit issues are discussed. As a further safeguard, any review of Internal Audit work during the course of our audit will not be undertaken by any junior member of the audit team that has previously worked to Kathryn.

We are satisfied that the matter above and proposed safeguards provide sufficient protection to enable us to remain independent to the audit of Worcestershire Pension Fund for 2021/22.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk)

# 3. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

| Service                                     | Fees £                               | Threats identified                              | Safeguards  |
|---|--------------------------------------|---|---|
| Audit related                               |                                      |   |   |
| IAS19 Assurance letters for Admitted Bodies | 8,500 (2020/21) and 15,000 (2021/22) | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
| Non-audit Related                           |                                      |   |   |
|   | None                                 |   |   |

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee. None of the services provided are subject to contingent fees.

# Appendices

# A. Action plan – Audit of Financial Statements

We have identified recommendations for the Pension Fund during the course of our 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment | Issue and risk   | Recommendations   |
|------------|--|---|
| Medium     | Ten recommendations were identified in relation to the IT control audit in 2020/21. The Council has implemented a number of these recommendations into their IT general controls environment, however there are three still in progress. These relate to improved audit logs, reviews of user roles and employee acknowledgement of Council IT policy. | Management should continue to implement the recommendations as set out in the detailed IT report.<br>Response: Management will continue to implement the recommendations agreed in the IT report  |
| Low        | Disclosures relating to both critical judgements and estimation uncertainty lack the level of detail envisaged by ISA 540 and as described in the most recent FRC thematic review.   | Given the additional focus on accounting estimates, management should consider working more closely with fund managers and other experts to ensure more detailed disclosures can be provided in relation to both estimation uncertainty and critical judgements.<br>Response:; Management do work closely with managers and endeavour to obtain as much detail as possible for the disclosures in relation to both estimation and critical judgements. Management will continue to review its existing working practices to see if these can be improved. |
| High       | We noted some weaknesses on page 6 in relation to the authorisation of journals which may increase the risk of fraud and error.  | Improve controls around the authorisation of journals.<br>Response: The Pension Fund does a monthly reconciliation to ensure that the journals are authorised by staff within the Pensions Team. However we will look to review our controls around the authorisation of journals   |
| Low        | In our testing of a sample of pension benefits we noted a case where a pensioner had disputed the amounts due and no provision was made at all in the accounts during the dispute period even for the lower rates.   | Ensure provision is always made in the accounts for disputed payments.<br>Response: We will look to ensure provision in the accounts for disputed payments in future.   |

## Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

The audit has not identified any adjusting misstatements for the year ending 31 March 2022.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure omission  | Auditor recommendations  | Adjusted? |
|--|--|-----------|
| Note 20 Related parties                                      | Short term benefits within the key management personnel table were slightly understated by £3,000. This has now been amended   | ✓         |
| Contractual commitments and contingent liabilities – Note 21 | Figures for two Walton Street Funds were taken from 31 December 2021 data rather than 31 March 2022 year end data resulting in an overstatement of £5m. This has now been adjusted.  | ✓         |
| Other information-explanatory foreword                       | There were a couple of instances where other information contained in the explanatory foreword did not reconcile with the accounts. The first related to investment returns on page 4 which suggested the returns had increased in the year by £264m rather than £367m. This has now been amended. The second related to the percentage distribution of Fund investments on page 8 which was initially incorrect for three fund types. This has been amended.  | ✓         |
| Note 8-administrative expenses                               | Audit fees were slightly overstated in note 8. This has now been amended.  | ✓         |
| Note 12a-sales and purchases                                 | For the River and Mercantile Fund, both purchases and sales in the accounts as notified by the Custodian were both overstated by £328m against that notified by the Fund Manager but the year end balance was correct.   | ✓         |
| Presentation and disclosure                                  | Our review of the accounts highlighted some other minor improvements that were required to be made to the accounts. None of these were individually significant and they have been made to improve the final presentation and aid clarity for the reader. The proposed minor adjustments were agreed with officers and changes have been made to the draft accounts submitted for audit.<br><br>Examples include some formatting issues, some titles to be updated for the correct year and an error where a number had been transposed incorrectly. | ✓         |

# B. Audit Adjustments



## Impact of unadjusted misstatements

The audit team have considered the impact of any unadjusted errors from the prior year and are satisfied that they do not impact on the balances as at 31 March 2022.

# C. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

| <b>Audit fees</b>                       | <b>Proposed fee</b> | <b>Final fee</b> |
|---|---------------------|------------------|
| Pension Fund Audit                      | £32,473             | 32,473           |
| <b>Total audit fees (excluding VAT)</b> | <b>£32,473</b>      | <b>32,473</b>    |

The fees reconcile to the financial statements.

| <b>Non-audit fees for other services</b>     | <b>Proposed fee</b> | <b>Final fee</b> |
|--|---------------------|------------------|
| <b>Audit Related Services</b>                |                     |                  |
| IAS 19 Assurance letters for admitted bodies | £8,500              | *£15,000         |
| <b>Total non-audit fees (excluding VAT)</b>  | <b>£8,500</b>       | <b>£8,500</b>    |

\* For 2021/22 IAS 19 letters of assurance were provided to the following admitted bodies of Worcestershire Pension Fund. Across the Firm we have had to raise the fees to reflect the current cost of doing the work to provide this assurance. Pension Funds are at liberty to recharge these costs to admitted bodies.

|                               |                                |  |
|-------------------------------|--------------------------------|--|
| Worcestershire County Council | Worcester City Council         | Wychavon Council                                 |
| Wyre Forest District Council  | Malvern Hills District Council | Hereford and Worcester Fire and Rescue Authority |
| Redditch Borough Council      | Bromsgrove District Council    | West Mercia Police                               |
| Herefordshire Council         |                                |  |

# D. Audit opinion

Our audit opinion is included below. We anticipate we will provide the Pension Fund with an unmodified audit report.

## Independent auditor's report to the members of Worcestershire County Council on the pension fund financial statements of Worcestershire Pension Fund

### Opinion

We have audited the financial statements of Worcestershire Pension Fund (the 'Pension Fund') administered by Worcestershire County Council (the 'Authority') for the year ended 31 March 2022 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Chief Financial Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements' section of this report.



# D. Audit opinion

## Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Annual Financial Report and Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

## Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 22, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Chief Financial Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

# D. Audit opinion

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - Journals processed by senior finance officers, as we would not expect them to be involved in the normal day to day operations of the general ledger
  - Journals with a blank description, as this could indicate that there is not a legitimate reason for posting a journal.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Financial Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on any journals posted by senior finance officers and those with a blank description;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments and IAS 26 pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

# D. Audit opinion

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and did not identify any areas of non-compliance.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - **the provisions of the applicable legislation**
    - **guidance issued by CIPFA, LASAAC and SOLACE**
    - **the applicable statutory provisions.**
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Mark Stocks Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
Birmingham

# E. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP  
17<sup>th</sup> Floor  
103 Colmore Row  
Birmingham  
B3 3AG

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}

Dear Sirs

## **Worcestershire Pension Fund Financial Statements for the year ended 31 March 2022**

This representation letter is provided in connection with the audit of the financial statements of Worcestershire Pension Fund for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

- iv. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- v. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- vi. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of level 2 and level 3 investments and the actuarial present value of promised retirement benefits for the purpose of IAS26. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Fund has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

# E. Management Letter of Representation

- vii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- viii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- ix. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- x. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards
- xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xii. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :

- a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statement
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

## Information Provided

- xiii. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Fund via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

# E. Management Letter of Representation

- xiv. We have communicated to you all deficiencies in internal control of which management is aware.
- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xviii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xix. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xx. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xxi. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xxii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## Approval

The approval of this letter of representation was minuted by the Fund's Audit and Governance Committee at its meeting on XXX 2022.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Fund**

