Public

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created on 9 Nov 2020

Grant Thornton

The Audit Findings for Buckinghamshire Pension Fund

Year ended 31 March 2020

November 2020

Contents

Your key Grant Thornton team members are:

Iain Murray
Director
T: 020 7728 3328
E: iain.g.murray@uk.gt.com

Sheena Phillips
Engagement Manager
T: 020 7728 2625
E: Sheena.S.Phillips@uk.gt.com

Cherise Douglas
Assistant Manager
T: 020 7865 2488
E: cherise.a.douglas@uk.gt.com

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Buckinghamshire Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operation of the Buckinghamshire Pension Fund. This includes the pension staff working remotely and redeployment of staff to critical front line duties where necessary. There is also volatility of financial and property markets will increase the uncertainty of assumptions applied to asset valuation. Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020	We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan in June 2020. In that audit plan, we reported a financial statement risk in respect of Covid -19. Further detail is set out on page 5. Restrictions for non-essential travel have meant both the pension fund and audit teams have had to make arrangements to ensure that the audit could be carried out remotely in a manner that is efficient and does not compromise the quality of audit work performed. These include remote accessing financial systems, video calling, and completeness accuracy of information produced by the entity. The audit team received the financial statements in early July 2020 and is nearing completion. The audit has progressed at a slower pace than planned as both parties adjusted to the challenges of remote working.
Financial Statements	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 was completed remotely during July-November . Our findings are summarised on pages 5 to 9. We have currently identified no adjustments to the financial statements that have resulted in an adjustment to the Pension Fund's reported financial position. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters; • receipt of the management representation letter; • receipt and review of evidence to support management's going concern assessment. • evaluating the existence of any subsequent events up to the date of our opinion; • review of the Pension Fund Annual Report; and • review of the final set of financial statements. Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting asset valuation material uncertainties in relation to property investments.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

DRAFT

Public

Audit approach

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 the 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;
- Controls testing of the Pension Fund's member data systems; 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 or change our audit plan, as communicated to you in June 2020

Audit approach (continued)

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 or change our audit plan, as communicated to you in June 2020.

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 in November 2020. These outstanding items are outlined on page 3

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.

.

Materiality calculations since those communicated in our Audit Plan have been updated to reflect the decrease in value of the net assets of the Pension Fund since 31 March 2019 and the updated materiality amounts are stated below..

	Pension Fund (£m)
Materiality for the financial statements	29.14
Performance materiality	21.85
Trivial matters	1.46

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Impact of Covid–19 The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; • Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation, and the reliability of evidence we can obtain to corroborate management estimates • For instruments classified as fair value through profit and loss there may be a need to review the Level 1-3 classification of the instruments if trading may have reduced to such an extent that. quoted prices are not readily and regularly available and therefore do not represent actual and regularly occurring market transactions. • Whilst the nature of the Fund and its funding position (i.e. not in a winding up position or no cessation event) means the going concern basis of preparation remains appropriate management may need to consider whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement	We have: • worked with management to understand the implications the response to the Covid-19 pandemic had on the pension fund's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided in early July 2020; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as the asset valuations ; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. As part of our work on investments, we noted that LaSalle and Brunel reported material valuation uncertainties as at 31 March 2020 due to the impact of Covid-19 in respect of Unit Trust properties, valued at £213,484k, and Infrastructure assets, valued at £3,601k. Given the value of property investments within the fund our judgement is that the disclosure of this material uncertainty is sufficiently important that it is fundamental to users' understanding of the financial statements. We intend to include an emphasis of matter in the auditor's report on the financial statements in respect of the effects of Covid-19 on the valuation of property investments. The emphasis of matter paragraph does not qualify the opinion but will highlight the disclosure of the material uncertainty in the final version of the financial statements. The draft financial statement do not include sufficient disclosure which reflects the material valuation uncertainty in relation property investments. We have made a recommendation to management to include this disclosure in the final version of the financial statements, this is included at Appendix C.

Significant audit risks

Risks identified in our Audit Plan	Auditor 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	As communicated in our Audit Plan, we have rebutted this risk. We have made no changes to this assessment.
Management override of controls 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. The Fund faces external scrutiny of its spending and stewardship of funds, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions Our audit work has not identified any issues in respect of management override of controls.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
The valuation of Level 3 investment You revalue your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet 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 (£154 million as at 31 March 2020) 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 2020. 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 • 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 agreed these to the fund manager reports at that date. We reconciled those values to the values at 31 March 2020 with reference to known movements in the intervening period. Brunel declared a material valuation uncertainty in their Infrastructure assets with a value of £3,601k as at 31 March 2020 due to the impact of Covid 19. As mentioned on page 5, we will include an emphasis of matter in the auditor's report on the financial statements of Buckinghamshire Pension Fund in respect of the effects of Covid-19 on the valuation of property investments. Our audit work has not identified any issues in respect of the valuation of Level 3 investments other than the above.

Significant findings – going concern

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).

Going concern commentary	Auditor commentary
Management's assessment process	Management have concluded that the use of the going concern basis is appropriate for the Pension Fund and that they have not identified events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern
Work performed	We have considered the appropriateness of management's use of the going concern basis in preparing the financial statements • We have assessed whether there were any events or conditions present that may cast significant doubt on the Pension Fund's ability to continue as a going concern • We evaluated the adequacy of disclosures in the financial statements relating to going concern. Our work in this area is ongoing. We have challenged management for evidence to support their assessment.
Concluding comments	Subject to the satisfactory completion of outstanding procedures, we have not identified any reasons to modify our audit opinion as a result of our procedures over going concern.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Level 3 investments	The Pension Fund has investments in private equity and infrastructure that in total are valued in the net assets statement as at 31 March 2020 at £154.3m. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management use fund managers to determine valuations using recognised techniques for the particular investment type (private equity and infrastructure). The value of the investment has increased by £1.6m in 2019/20, which is not a significant variance.	Our assessment of the estimate comprised: • Evaluating the audit opinion relating to the funds within which the investments are held • Evaluating impact of any material uncertainty disclosed by the fund managers in the pension fund accounts • Testing the key assumptions used to determine the estimate • The appropriateness of the underlying information and techniques used to determine the estimate • Adequacy of disclosure of the estimate in the financial statements	Green
Level 2 investments	The Pension Fund have investments in a range of bonds, pooled investment vehicles and property unit trusts that in total are valued in the net assets statement as at 31 March 2020 at £2,678.8m. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management use fund managers to determine valuations using recognised pricing techniques (such as for the equities and bonds held within pooled investment vehicles) and where appropriate use qualified external providers (for property unit trusts). The value of the investment has increased by £496.8m in 2019/20, mainly due to the disposal of quoted equities (level 1 investments) and purchase of level 2 investments where the assets are predominantly held as pooled investment vehicles.	Our assessment of the estimate comprised: • The controls employed by the fund managers engaged by management to determine the valuation of these investments • Agreeing investment unit prices or valuations to reports from the custodian and fund managers • The appropriateness of the underlying information and techniques used to determine the estimate • Adequacy of disclosure of the estimate in the financial statements	Green

Assessment

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

Other matters for communication

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.

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Audit 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.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	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.
Written representations	A letter of representation has been requested from the Pension Fund, which is included in the Audit and Governance Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Pension Fund's custodian, fund managers and bank. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided
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. We are currently reviewing the Annual Report and will issue our 'consistency' opinion on the Pension Fund Annual Report on completing this work. As such, we have not given this separate opinion at this time and are unable to certify completion of the audit of the Pension Fund administering authority until this work has been completed .

DRAFT

Public

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

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 D

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 audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Provision of IAS 19 Assurances to Scheme Employer auditors	7,000	Self interest	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 £7,000 in comparison to the total fee for the audit of £29,275 and in particular relative to Grant Thornton UK LLP's turnover overall. This mitigates the perceived self-interest threat to an acceptable level.

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 Regulatory and Audit Committee. None of the services provided are subject to contingent fees.

DRAFT

Public

Action plan

We have identified the following recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2020/21 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**	**Investment Valuation** As part of our testing of investments we reconciled the year end valuations as per the custodian reports with the fund manager statements. In doing so, we discovered that a variance amounting to £10,059k was attributable to the fact that State Street (the Custodian) had used the 31st December valuation data (latest available at the time) to value the 31st of March positions. The client also used the custodian figures in preparation of their accounts.	The use of custodian figures for accounts preparation was inappropriate as the valuation was dated as at 31 December 2019 whereas the fund manager statements include the more up-to-date figures. **Management response** TBC
● **Medium**	**Scheme Contributions** The reconciliation of monthly returns for scheme contributions from scheduled and admitted bodies had a total difference of £3,808k We could not obtain a clean reconciliation between the accounts and employer contribution records; the total difference was £3,808k. Auditor sought an explanation for this variance; however this could not be provided by the client at a macro level. Auditor thus performed an employer-by-employer reconciliation to determine why this difference occurred and reconciled this down to a trivial difference of £11k. There were also several insignificant differences noted in relation to several other employers. Whilst the accuracy and completeness of the reconciliation has been improved since this issue was first identified, we consider that there remains a need to improve further these aspects of the reconciliation	Whilst the accuracy and completeness of the reconciliation has been improved since this issue was first identified, we consider that there remains a need to improve further these aspects of the reconciliation . **Management response** TBC

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

DRAFT

Public

Action plan - Continued

Assessment	Issue and risk	Recommendations
Medium	**Investments - Challenge to assumptions** We made inquiries regarding the assumptions that are used by the fund managers for valuations of level 2 and level 3 investments and concluded that client does not challenge them. Furthermore, management failed to demonstrate any challenge to the classification methodology for the different hierarchy of investments..	The responsibility for proper valuation and classification of investments is managements and hence they should challenge the assumptions made by the fund managers and custodians. Management should be able to demonstrate how they challenged the valuation and classification assumptions provided by its experts. **Management response** TBC
Medium	**Management challenge of actuary** During our review of the actuarial PV of Promised Retirement Benefits, as required, we sought to obtain management's review and challenge of the actuary's estimate. There was no evidence of management's formal challenge to the actuary's estimate. Management are responsible for the judgements within the financial statements. They are required to retain evidence of their challenge and correspondences with the experts while making their judgments and decisions regarding accounting estimates.	Management should evidence that they have considered alternative assumptions or outcomes, and why they have rejected them Management should evidence of how management otherwise addressed estimation uncertainty in making the accounting estimate. **Management response** TBC
Low	**IAS 19: Digital filing System** As part of our IAS 19 testing, we noted several instances of version control issues. Multiple email exchanges between the Pension Fund and the employers for confirmation of data to be sent to the actuary, were initially sent as final evidence to our audit team. It proved extremely cumbersome to obtain the final source data from employers which agreed to that sent to the actuary. An appropriate system of version control regarding source data is needed. This will ensure that the audit is more efficient, and less time is spent going through several emails which are not supporting the source data sent to the actuary.	An appropriate filing system should be in place so the final communication containing source data from employer is easily identifiable. This will ensure that the audit is more efficient, and less time is spent going through several emails which are not supporting the source data sent to the actuary which should be audited. **Management response** TBC

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Action plan - Continued

Assessment	Issue and risk	Recommendations
Low	**IAS 19: Milton Keynes Council** As part of our IAS 19 testing, we noted that Milton Keynes Council, did not respond to efforts by the Pension Fund to obtain their data to be sent to the actuary. Similarly, it was also noted that up to August 2020, the March 2020 employer return was not submitted despite several attempts to obtain this information. Consideration should be given by management to identify ways in which data can be obtained from Milton Keynes Council ahead of year end closedown and audit.	Management should consider identifying ways in which data can be obtained from Milton Keynes Council ahead of the audit to assist with the efficiency and the delivery of the audit in a timely manner. **Management response** TBC

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire Pension Fund's 2018/19 financial statements, which resulted in 3 recommendations being reported in our 2018/19 Audit Findings report. We have followed up on the implementation of our recommendations and we are awaiting management's response

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
	Our journals testing identified a number of journals that did not contain any evidence of authorisation before posting. It is our understanding of the Pension Fund's policy that journals of those types should be subject to separate authorisation but that as a result of the lower volume of transactions and fewer members of staff who can post journal entries as compared to the County Council, this policy is not always followed in practice. Journals for the Pension Fund should be authorised in accordance with the relevant internal policy or that policy amended for the purposes of the Pension Fund.	TBC
	As part of our testing of investments we considered management's quarterly reconciliation of investment valuations and noted that a number of differences had been identified that were not followed up with the custodian until year end. It would be more efficient for these differences to be followed up at the time they arise so that any corrections can be made promptly. Any differences identified from the custodian's quarterly reconciliation should be followed up in a more timely way.	TBC
	Management's reconciliation of the pension fund bank account contains uncleared miscellaneous items totalling approximately £354k. This balances comprises 105 transactions of which 77 relate to March 2019 and the remainder are spread across 9 months within the period March 2018 to February 2019. Whilst the uncleared transactions are individually and in aggregate not numerically significant, there are a number of aged transactions that it would be preferable to resolve as quickly as possible. Uncleared miscellaneous items in the bank account reconciliation should be resolved more promptly.	TBC

Assessment

✓ Action completed

X Not yet addressed

Audit adjustments

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	Detail	Auditor recommendations	Adjusted?
Note 12 - Net Assets of the Fund	Net Assets of the Fund disclosed in the Net Assets Statement into category (Pooled Investments - Fair value through profit and loss - PY) does not match with prior year accounts.	The value of Net Assets of the Fund disclosed in the Net Assets Statement into category (Pooled Investments - Fair value through profit and loss – PY) should be updated to match the prior year accounts. **Management response** Agreed to changes. Reflected in updated draft accounts.	✓
Note 12 - Breakdown of asset types	Note 12 - Breakdown of asset types not casted correctly.	The total figure of breakdown of assets in note 12 should be updated so it casts correctly. **Management response** Agreed to changes. Reflected in updated draft accounts.	✓
Note 9 - realized and unrealized gain/loss	Note 9 (realized and unrealized gain/loss figures misstated). Note: £106.118m and pension fund account: £116,993m.	Client should revise note 9 figure to £116.993m. **Management response** Agreed to changes. Reflected in updated draft accounts.	✓
Note 12 - net gains and losses on financial instruments	The net gains and losses on financial instruments as shown in the table do not agree with the figures appearing in the Pension Fund Accounts.	The net gains and losses on financial instruments as shown in the table must be amended to agree with the figures appearing in the Pension Fund Accounts **Management response** Agreed to changes. Reflected in updated draft accounts.	✓
Note 18 - Actuarial Present Value of Promised Retirement Benefits	Financial assumptions to be changed. Demographic/Statistical assumptions S2PA should be S3PA	Demographic/Statistical assumptions S2PA should be S3PA **Management response** Agreed to changes. Reflected in updated draft accounts.	✓
Note 3 and Note 14	Inconsistent figures between notes 3 and 14	The figures stated in note 14 should be updated. **Management response** Agreed to changes. Reflected in updated draft accounts.	✓

Audit adjustments

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	Detail	Auditor recommendations	Adjusted?
Material Valuation Uncertainty in relation Property Investments	As part of our investment work, we noted that LaSalle and Brunel declared material valuation uncertainty with respect to Unit Trust properties (£213,484k as at 31 March 2020) and Infrastructure assets (£3,601k as at 31 March 20200) respectively due to the impact of Covid 19. We intend to include an emphasis of matter in the auditor's report on the financial statements in respect of the effects of Covid-19 on the valuation of property investment. The draft financial statement does not include sufficient disclosure which reflects the material valuation uncertainty in relation property investments.	.We recommend that management includes a disclosure which reflects the material valuation uncertainty in relation property investments as at 31 March 2020 in the financial statements. **Management response** Agreed. Will be adjusted in next version of draft accounts.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
As part of our testing of investments we reconciled the year end valuations as per the custodian reports with the fund manager statements. In doing so, we discovered that a variance amounting to £10,059k was attributable to the fact that the fund managers (Partners Group and Pantheon) data was lagged so the Custodian (State Street) had used the 31 December valuation data (latest available at the time) to value the 31 March positions. Management used the Custodian's figures in preparation of the financial statements. The use of Custodian figures for accounts preparation introduces the potential overstatement of the investments in question as they are valued as at 31 December 2019 whereas the fund manager statements include the more up-to-date figures.	10,059	(10,059)	(10,059)	The overstatement of investment is below materiality and hence it has not been adjusted in the accounts.
Overall impact	**£10,059**	**(£10,059)**	**(£10,059)**	

DRAFT

Public

Fees

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

Audit fees	Proposed fee	Final fee
Pension Fund	£29,275	TBC
Total audit fees (excluding VAT)	**£29,275**	**TBC**

The fees reconcile to the financial statements. Where they do not, we have provided a reconciliation

• fees per financial statements:	**£19.3k**	
• Raising the bar	£3.5k	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
• Valuation of level 3 investments	£4.5k	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of valuations of hard to value investments needs to improve across the sector. Accordingly, we plan to enhance the scope and coverage of our work to ensure an adequate level of audit scrutiny and challenge over the assumptions and evidence that underpin the valuations of level 3 investments this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion.
• Triennial Revaluation	£2.0k	We will need to carry out additional work this year in respect of the triennial revaluation carried out by the actuary.
• total fees per above	**£29.3k**	

Audit fees for other services	Proposed fee	Final fee
Provision of IAS 19 Assurances to Scheme Employer auditors	£7,000	£12,000
Total non- audit fees (excluding VAT)	**£7,000**	**£12,000**