

The Audit Findings for Buckinghamshire Council Pension Fund

Year ended 31 March 2021

September 2021



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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 Buckinghamshire Council Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2021 for those charged with governance.

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 findings have been summarised in Appendix A to C. Based on the work completed to date, we have not identified any material adjustments to the financial statements that impact the Fund's net asset 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 in progress and presently there are no matters of which we are aware that would require modification of our audit opinion [Appendix E] or material changes to the financial statements, subject to the following outstanding matters;

- receipt of management representation letter {– see appendix F};
- review of the Annual Report;
- conclusion of going concern work; and
- review of the final set of financial statements incorporating audit adjustments.

The Pension Fund provided draft accounts on 30 June and a substantial proportion of requested supporting work papers followed the same week. Consequently, at the time of drafting the AFR, there are a number of outstanding queries to be resolved by the finance team:

- Planning queries – We need to review the completed planning queries template before it is presented at the Audit and Governance Committee for ratification.
- TB to Draft Accounts variances – Rationale for the variances pending
- Investments:
 - Need evidence to verify that the custodian values the investments independently from the fund managers. Responses outstanding for RLAM, LGIM, BlackRock and Blackstone.
 - Requested evidence of managements challenge to fund managers for valuations of level 2 and level 3 investments or rationale why that is not necessary for each fund manager.
 - Requested fund Manager accounts/statements that have disclosed a material valuation uncertainty for level 3 investments.
 - Investments Level 1 – Variance between State Street listing and Note 9
- IAS 26 Work - For our analytical work on the IAS 26 report, we are waiting for rationale causing the significant variances identified.

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 unqualified and may include an Emphasis of Matter paragraph highlighting asset valuation material uncertainties in relation to private equity and infrastructure investments. However, this is subject to discussion with the management.

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 and will be presented to the Audit and Governance Committee.

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 Fund's business and is risk based, and in particular included:

- An evaluation of the Fund's internal controls environment, including its IT systems and controls;
- Controls testing of the Fund's member data systems; and
- Substantive testing of 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 July 2021.

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, as detailed in [Appendix E]. These outstanding items are detailed on page 3.

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.

Materiality levels remain the same as reported in our audit plan dated July 2021.

We detail in the table our determination of materiality for Buckinghamshire Council Pension Fund.

| | Pension Fund Amount (£000) | Qualitative factors considered |
|--|-------------------------------|---|
| Materiality for the financial statements | 29,137 | We considered materiality from the perspective of the users of the financial statements. We considered 0.8% was an appropriate rate to apply to the total assets benchmark. The rationale for using this benchmark is that in a pension scheme the financial statements are dominated by the investment portfolio and therefore the financial statements materiality is normally expected to be based upon total assets. Therefore, this is the most appropriate and significant benchmark for the reader of the accounts and it ensures that contributions and benefits payable are scoped in. |
| Performance materiality | 21,853 | The Pension Fund does not have a history of significant deficiencies or a large number of misstatements. |
| Trivial matters | 1,457 | The threshold above which we are required to report errors or uncertainties to those charged with governance, calculated as 5% of materiality. |



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>Management override of controls</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. 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.</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.</p> | <p>We have:</p> <ul style="list-style-type: none"> • 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. <p>Our audit work has not identified any issues in respect of management override of controls.</p> |



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Fraudulent revenue recognition

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; and
- the culture and ethical frameworks of local authorities, including Buckinghamshire Council and Buckinghamshire Council Pension Fund, mean that all forms of fraud are seen as unacceptable.

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

As communicated in our audit plan, we have rebutted this risk. We have made no changes to this assessment.

Fraudulent expenditure recognition

We have considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition.

We were satisfied that this did not present a significant risk of material misstatement in the 2020/21 accounts as:

- The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong;
- We have not found significant issues, errors or fraud in expenditure recognition in the prior years audits; and
- Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition.

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

As communicated in our audit plan, we have rebutted this risk. We have made no changes to this assessment.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of Level 3 investments

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 (**PY: £154m**) 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 2021.

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

Commentary

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 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 Fund's asset register.
- where available, reviewed investment manager service auditor reports on the design effectiveness of internal controls.

The Fund has declared a material valuation uncertainty in its Private Equity and Infrastructure assets with a value of £121.8m and £44.8m respectively as at 31 March 2021. These investments are not publicly listed and as such there is a high degree of estimation involved in the valuations. We will include an Emphasis of Matter paragraph in the auditor's report on the financial statements of Buckinghamshire Council Pension Fund, in respect of the material estimation uncertainty on the valuation of Private Equity and Infrastructure investments.

Our audit work to date has not identified any other issues in respect of the valuation of Level 3 investments. We will provide an update to Audit and Governance Committee when the work is complete.

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 – £167m | <p>The Fund has investments in private equity, infrastructure and property that in total are valued on the balance sheet as at 31 March 2021 at £167m (£154m as at 31 March 2020). 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.</p> <p>In order to determine the value, management use fund managers to determine valuations using recognised techniques for the particular investment type (private equity, infrastructure and property). The value of these investment has increased by £13m in 2020/21, which is not a significant variance.</p> <p>Management has considered alternative estimates and disclosed an estimation uncertainty in the financial statements disclosing there is a risk that the private equity investments may be under or overstated in the accounts by £34m.</p> | <p>Our assessment of the estimate comprised:</p> <ul style="list-style-type: none"> • 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 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. | <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> |
| Level 2 Investments – £3,410m | <p>The Fund has 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 2021 at £3,410m (£2,679m as at 31 March 2020).</p> <p>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).</p> <p>The value of the investment has increased by £731m in 2020/21, mainly due to unrealised profits amounting to £581m. The realised profits contributing to the increase in valuation amount to £102m.</p> | <p>Our assessment of the estimate comprised:</p> <ul style="list-style-type: none"> • 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. | <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> |

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.

| Issue | Commentary |
|--|--|
| Matters in relation to fraud | 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. |
| 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 will be requested from the Fund prior to issuing the audit opinion. |

2. Financial Statements - other communication requirements



| Issue | Commentary |
|--|--|
| Confirmation requests from third parties | We requested from management permission to send confirmation requests to the 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. |
| Accounting practices | We have evaluated the appropriateness of the Fund's accounting policies, accounting estimates and financial statement 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. At the start of the audit transaction listings contained many contra entries, which ultimately reverse out and do not form part of year end balances. We worked with management to ensure that transactions listings were cleansed before we selected our samples. This caused some delay to audit progress and we have raised a recommendation in Appendix A. |

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.</p> <p>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"> 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; and 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. <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"> the nature of the Pension Fund and the environment in which it operates; the Pension Fund's financial reporting framework; the Pension Fund's system of internal control for identifying events or conditions relevant to going concern; and management's going concern assessment. <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"> a material uncertainty related to going concern has not been identified; and management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. |

2. Financial Statements - other responsibilities under the Code

| Issue | Commentary |
|--|---|
| Disclosures | <p>A number of inconsistencies have been identified. These pertain to the following disclosures:</p> <ul style="list-style-type: none"> • Accounting Policies • Critical Judgements • Events after the Reporting Date • Estimation Uncertainty • Key Management Personnel • Accounting Standards that have been issued but not yet adopted • Investment Disclosures (note 11 and 12) • Actuarial Position and Actuarial Present Value of Promised Retirement Benefits Disclosures (note 17 and 18) <p>Though these have been adequately rectified by management, we expect fewer omissions and errors in the notes accompanying the Pension Fund's financial statements. We plan to issue an unmodified opinion in this respect – refer to appendix E</p> |
| Matters on which we report by exception | <p>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 propose to issue our 'consistency' opinion on the Fund's Annual Report at the same time as issuing the audit opinion.</p> |



3. 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

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/transparency-report-2020)

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 audit-related service was identified:

| Service | 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 £38,000 and in particular relative to Grant Thornton UK LLP's turnover overall. This mitigates the perceived self-interest threat to an acceptable level. |

No non-audit services were identified which were charged from the beginning of the financial year.

Appendices

A. Action plan – Audit of Financial Statements

We have identified one recommendations for the Fund as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on the recommendation during the course of the 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 |
|------------|---|--|
| High | <p>Transaction listings</p> <p>At the start of the audit transaction listings contained many contra entries, which ultimately reverse out and do not form part of year end balances. We worked with management to ensure that transactions listings were cleansed before we selected our samples. This caused some delay to audit progress.</p> <p>The risk is that if transaction listings are not cleansed, we will select sample items that ultimately need to be replaced as they do not exist at year end and/or our sample sizes are significantly inflated increasing audit input and the demand on management.</p> | <p>Transaction listings provided to audit should be cleansed of significant contra entries.</p> <p>Management response</p> <p>We will complete a review and data cleanse before transaction listings are sent through going forward</p> |

Controls

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire Pension Fund's 2019/20 financial statements, which resulted in 5 recommendations being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|--|---|
| ✓ | <p>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.</p> | <p>Response as per prior year AFR: Client confirmed that they will liaise with State Street to discuss if they are able to provide the information needed in a timelier manner.</p> <p>20/21 Update: Majority of the funds are valued at 31.03.2021. For the small amounts that are valued at 31.12.2020, this will not have a material impact on the accounts. The reason for using some data from the 31.12.2020 is due to the timing of the information being provided to us from the fund managers.</p> |
| ✓ | <p>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.</p> | <p>Response as per prior year AFR: We are in the process of improving the reconciliation. Including monthly reports to Management.</p> <p>2020/21 update: The reconciliation process has been improved further this year, with officers fully reconciling returns to SAP on quarterly basis by employer.</p> |

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire Pension Fund's 2019/20 financial statements, which resulted in 5 recommendations being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|--|--|
| ✓ | <p>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.</p> | <p>Response as per prior year AFR: We will ensure to review and challenge the fund managers and custodians where we can.</p> <p>2020/21 update: Where appropriate we have challenged the assumptions of custodian. This is documented in our audit</p> |
| ✓ | <p>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.</p> <p>There was no evidence of management's formal challenge to the actuary's estimate.</p> <p>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.</p> | <p>Response as per prior year AFR: We will ensure to review and challenge the Actuary where we can.</p> <p>2020/21 update: Where appropriate we have challenged the assumptions of Barnett Waddingham</p> |

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire Pension Fund's 2019/20 financial statements, which resulted in 5 recommendations being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|---|--|
| ✓ | <p>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.</p> <p>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.</p> <p>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.</p> | <p>Response as per prior year AFR: We will ensure we keep the final versions of all data submitted to the actuary by the individual employers</p> <p>2020/21 update:</p> <p>We have created a sperate file in our audit papers which includes a folder per employer. Within this folder is the final data submission</p> |
| ✓ | <p>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.</p> <p>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.</p> <p>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.</p> | <p>Response as per prior year AFR: We have been liaising with MK ongoing and have now obtained the data required</p> <p>2020/21 update:</p> <p>We continue to work with all our employers in order to obtain the data we require in order to be able to prepare our accounts</p> |

Assessment

✓ Action completed

X Not yet addressed

C. 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.

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? |
|--------------------------------|---|-----------|
| Critical Judgements | <p>We noted that within critical judgements in applying accounting policies, the disclosure in relation 'pension fund liability' is an estimation uncertainty rather than critical judgement and should not be included.</p> <p>Management response</p> <p>Agreed to changes. To be reflected in revised financial statements.</p> | ✓ |
| Other Formatting Issues | <p>We noted that there were a number of minor formatting issues in the notes to the Pension Fund financial statements section. These comprise of the adjustments communicated to the client via A1a along with other minor issues discussed and agreed directly by the audit team.</p> <p>Management response</p> <p>Agreed to changes. To be reflected in updated draft accounts.</p> | ✓ |

C. 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.

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? |
|--|--|-----------|
| Notes 17 and 18 | We noted financial assumption percentages were misstated in Note 17, and CPI and RPI percentages were misstated in Note 18. Management response Agreed to changes. To be reflected in revised financial statements. | ✓ |
| Accounting Policies – Financial Instruments Note 12 | Financial instruments policy did not reflect IFRS 9. For example, assets and liabilities are classified under different models in IFRS 9; the term Loans and Receivables is no longer applicable, it should be 'Assets at amortised cost'. Also the definition is different to that of held at amortised cost under IFRS 9, therefore should be updated in line with CIPFA Code. Note 12 categories are also not in line with IFRS 9. Management response Agreed to changes. To be reflected in revised financial statements. | ✓ |
| Accounting Standards that have been issued but not yet adopted. | Accounting Standards that have been issued but not yet adopted should disclose the expected impact on the accounts. We asked management to add the following narrative to this disclosure in the revised financial statements; 'None of the Accounting Standards that have been issued but not yet adopted will have a significant impact the financial statements.' Management response Agreed to changes. To be reflected in revised financial statements. | ✓ |

C. 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.

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? |
|---|--|-----------|
| Key Management Personnel disclosures | Key management personnel disclosures in the draft accounts, required per Code 3.9.4.2, referred to disclosures within the Buckinghamshire Council financial statements. The required disclosures must be made in full within the Fund's financial statements as they are a standalone Statement of Accounts. | ✓ |
| | Management response Agreed to changes. To be reflected in revised financial statements. | |

C. Audit Adjustments



Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

| Detail | 2019-20 Pension Fund Account £'000 | 2019-20 Net Asset Statement £' 000 | 2019-20 Impact on total net assets £'000 | Reason for not adjusting |
|---|---------------------------------------|---------------------------------------|---|--|
| As part of our testing of investments we reconciled the 2019-20 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 was below materiality and hence it was not adjusted in the accounts. |
| Overall impact | £10,059 | (£10,059) | (£10,059) | |

D. Fees

We confirm below our final fees charged for the audit and that there are no fees relating to the provision of non-audit services

| Audit fees | Proposed fee | Final fee |
|--|----------------|----------------|
| Buckinghamshire Council Pension Fund Audit | £38,000 | £38,000 |
| Provision of IAS 19 Assurances to Scheme Employer auditors | £7,000 | £7,000 |
| Total audit fees (excluding VAT) | £45,000 | £45,000 |

E. Audit opinion – To Follow

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

To Follow

To Follow

E. Audit opinion – To Follow

To Follow

To Follow

F. Management Letter of Representation – **To Follow**

To Follow

To Follow