Buckinghamshire Pension Fund audit plan

Year ending 31 March 2023

Buckinghamshire Pension Fund
23/08/2023

Contents

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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.

Key matters

National context

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. The pressures on household income have raised concerns that members will look at their pension contributions as a way of cutting back on their monthly costs. The cost-of-living crisis is having a detrimental impact on pension savings, with some even dipping into their savings to supplement short-term needs and some members are also requesting early access to their pension after age 55 as a means to manage their financial commitments. The cost of living crisis makes it even more important that lowly paid workers have access to a good quality pension.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Fund Performance

During the year, the Fund has continued to implement the investment strategy. Over the 1-year period the fund has seen a negative return of -4.4% in respect of net assets, with the primary driving force behind this change losses on disposal of investments and changes in the market value of investments of £203m.

Triennial Valuation

The Triennial Actuarial Valuation sets out the contribution rate for each employer in the Fund and helps ensure solvency of the Pension Fund. This will ensure long term value for beneficiaries and employers within the Fund. The funding position at 2022 shows a much stronger position than in 2019. The result of this is that the fund's net liability has decreased from £2.2bn to £266m as at 31/03/2023.

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, is set out in this plan.
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation, to discuss issues with our experts, and to create networking links with other clients to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Buckinghamshire Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

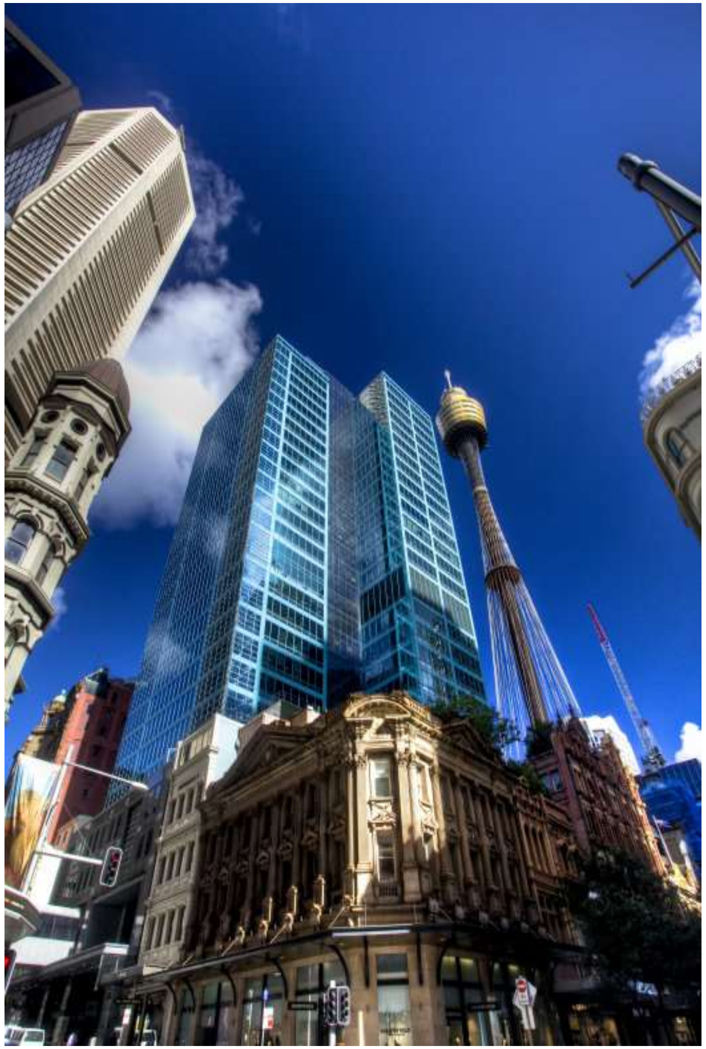
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Buckinghamshire Pension Fund. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance committee).

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management Override of Controls
- Valuation of Level 3 Investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £48.0m (PY £39.1m) for the Pension Fund, which equates to 1.3% of your gross assets as at 31/03/2023. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

- Materiality: £48.0m
- Trivial: £2.4m

A separate materiality has been set for the Fund account. This has been set at £17.0m which equates to 10% of gross fund expenditure as at 31/03/2023.

- Materiality: £17.0m
- Trivial: £850k

Audit logistics

Our final visit will take place in August to September 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £43,375 (PY: £46,050) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Significant risks identified

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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue/expenditure risk - Rebutted	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue and/or expenditure.	Having considered the risk factors set out in ISA 240, and the nature of the revenue streams of the Pension Fund, we have determined that it is likely that the presumed risk of material misstatement due to the improper recognition of revenue 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 public sector bodies, including London Borough of Sutton, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for the Pension Fund.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride 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.	We will: • Evaluate the design effectiveness of management controls over journals; • Analyse the journals listing and determine the criteria for selecting high risk unusual journals; • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of Level 3 investments	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 (£133m) and the sensitivity of this estimate to changes in key assumptions.	We will: • Evaluate management's processes for valuing Level 3 investments; • Review the nature and basis of estimated values and consider 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 request year-end confirmations from investment managers and the custodian;

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 investments cont..	Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • For a sample of investments, test 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. Reconcile those values to the values at 31 March 2022 with reference to known movements in the intervening period; • In the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and • Where available review investment manager service auditor report on design and operating effectiveness of internal controls.

Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 2 Investments	While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. We therefore identified the valuation of the Fund's Level 2 investments as other risk of material misstatement.	We will: • Gain an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls; • Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these investments; • Review the reconciliation of information provided by the individual fund managers, custodian and Pension Scheme's own records and seek explanations for variances; • independently request year-end confirmations from investment fund managers and custodian; and • Review investment fund managers service auditor report on design effectiveness of internal controls.

Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Actuarial Present Value of Promised Retirement Benefits disclosure – IAS 26	The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements. The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (net liability of £2.19bn million as at 31 March 2022 and £266m as at 31 March 2023) and the sensitivity of the estimate to changes in key assumptions. The Pension Fund engage the services of Barnett Waddingham as a qualified actuary to develop an IAS 26 compliant estimate of the disclosure. We therefore identified valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as an other risk of material misstatement.	We will: • Update our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated; • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • Assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • Test the consistency of disclosures with the actuarial report from the actuary; and • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Local Government Pension Scheme triennial valuation	Regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023. The LGPS is a complex pension scheme with numerous participants, investment portfolios, and various financial and actuarial assumptions. The valuation process involves assessing the fund's assets and liabilities, projecting future cash flows, and making assumptions about investment returns, inflation rates, life expectancies, and other variables.	We will: • review the methods used to calculate the estimate, including the models used • review the actuarial reports and assess the reasonableness of the assumptions made in the reports. • perform tests on the accuracy and completeness of the data used in the valuation process, including member data. This includes examining source documents and reconciling data to supporting records. • evaluate the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements.

Other matters

Other work

The Pension Fund is administered by Buckinghamshire Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
    - Giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
    - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
    - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
    - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the Pension Fund's financial statements, which resulted in 4 recommendations being reported in our 2021/22 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
High	IT Deficiencies Inappropriate developer access to the production environment 1. Allocation of SAP_ALL and SAP_NEW profiles to service and dialog accounts • SAP_ALL profile had been allocated to 13 service accounts and 2 dialog accounts. • SAP_NEW profile has been allocated to 9 service accounts and one dialog account. 2. The standard SAP account DDIC has not been locked • The SAP DDIC account by default has the highest system privileges and is often associated with background processes, our review identified that this account whilst set as a system account, is also being used for 'firefighting purposes' and is not locked.	We recommend that management implement the recommendations made by the IT team in a timely manner as these are significant deficiencies. Management response *Item 1 - **Response:** These are Service users that have access to all Company codes as these user ids are used to run background jobs. For SAP_ALL only two dialog users have this access which is granted for the completion of batch jobs only. For SAP_NEW only one dialog user has this access which is granted for the completion of batch jobs only.* *Item 2 – **Response:** This user is used for upgrade purposes only and not for firefighting. The account has been locked.*

Controls

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

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
High	IT Deficiencies Continued... 3. Inappropriate user access rights allocated to users and generic accounts a. Transaction codes (T-codes) are used to execute particular tasks in SAP. The PFCG T-code is used for maintaining and managing roles and authorisation data; and the SU01 T-code is used for user maintenance. b. 21 users had been assigned the SU01 transaction code. c. 22 users had been assigned the PFCG transaction code. d. The generic user account SAPSUPPORT had also been assigned the SU01 and PFCG transaction codes with an end date of 01/12/2021. e. The generic user account SAPSUPP had also been assigned the SU01 and PCFG transactions codes with an end date of 25/04/2021.	Management response a. *No comment required.* b. *This is to allow Admin Service Desk users to perform user maintenance and user creation.* c. *This is to allow admin colleagues to assign roles. Roles are assigned to a user's post and not directly to a user.* d. *This is a firefighter role which is used for SAP Support and is only unlocked for a short period of time as and when required.* e. *This is a firefighter role which is used for SAP Support and is only unlocked for a short period of time as and when required.*

Controls

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

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Medium	From our testing of management expenses, we identified that expenses which are in other currencies such as EURO and USD were not translated to GBP, hence creating foreign exchange differences which were trivial. The supporting documents which were provided by management did not tie up and resulted in a difference of £452k between the amount in the accounts and the evidence which management provided. A fund manager expense of £76k was not included as part of management expenses. Although the errors resulting from the above issues are immaterial to the 21/22 accounts, if management do not address the issues identified, this could lead to higher errors in the future.	We recommend that management put in place controls to ensure that all expenses are properly recorded, translated to the correct currency and agree to the supporting documents **Management response** *The template for calculating investment management expenses was improved to include formulae to translate Euros and US dollars to GBP. Also, an analytical review was undertaken to check the totals were correct.*

Controls

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

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Medium	We identified from our testing of employer body changes, that for Action for Children, the Barnet Waddingham report showed it as a newly admitted body in 19/20, however the pension fund did not show it as an admitted body until 21/22 due to delays in receiving a signed admission agreement and the pension fund updating their systems. Chartwells Ltd (Oakgrove School) cessation report shows cessation on 31/07/2020 from the Barnett Waddingham report when the last member left, however the Pension fund did not remove it as an admitted body until 21/22 due to delays in receiving a cessation report and the pension fund updating their systems.	Management should have controls in place to ensure that Note 21 (List of admitted and scheduled bodies correctly reflets employer bodies which have joined or left pension fund during the year Management response *The cessation reports and admission agreements were collated as part of the process of drafting the accounts and the start / cessation dates checked. Since the actual cessation payment / receipt could be later than the cessation date in the report a body could still be part of the Fund even though they don't have any active members.*

Controls

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

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Medium	Errors identified from member data controls testing • We identified 2 starters which were created in error via iConnect as the team was learning how to use the iConnect system when the system initially went live. The starters should not have been included on the Starters list. • We identified 15 starters where system records and statutory notices were created or sent out at a later date than the employment date. This was due to late setup in Altair. • We also identified 5 samples where statutory notices were not sent out due to system error with the starters not being flagged as needing statutory notice.	We recommend that management put in place controls to ensure that starters and leavers information are correct and there is no double counting. Statutory notices should be sent from the Fund to the new members informing them of their membership to the Fund. Leaver notification form should be received for the employee confirming a leave date and signed by a member of staff at the employer body before leaver entitlement is determined. **Management response** *Starters - we have a procedure where these are identified in two ways. Firstly, where no data is submitted for an active record via i-Connect (IC), an automatic reconciliation workflow is created named 'Actives not updated'. This will identify whether this is a leaver or identify that a duplicate record was created. Where it is duplication, the Employer Liaison Team (ELT) merge the records and delete the duplicate. For all new records created, an iSTART workflow is also created which the Pensions Assistants review in order to add any service history data or create aggregation workflow where appropriate. They also check that it is a genuine new starter. If it isn't, the above IC reconciliation workflow may already exist for ELT to address. If not, the Pensions Assistants create a MERGE workflow so it can be dealt with.*

Controls

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

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Medium	We were able to confirm that for the samples tested, the issues above did not affect the contributions amount and the correct contribution was still paid by the employers and the employees. It is best practice for management to ensure system records are updated on time as this can lead to an error in the future. The Pension fund also incorrectly classified an undecided leaver as leaver.	Management response *Leavers – there is no requirement in the LGPS Regulations for a Scheme Employer to provide an Administering Authority with a hard copy Leaver Notification Form. Employers inform BPF of all leavers via IC and this meets the requirement set out in Section 1 of the LGPS Payroll Guide. Each authorised user at the Scheme Employer has an individual log on for IC. When they access IC and submit their monthly data, including leavers, there is an audit trail showing the full submission, date & time of submission and the details of the authorised employee at the Scheme Employer who made the submission.* *Statutory Notifications – the issue with Statutory Notifications has been resolved. The content and format of the Statutory Notification and procedures are being reviewed.*

Controls

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

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.

	Description	Planned audit procedures
1	**Determination** We have determined financial statement materiality based on a proportion of the gross assets as at 31/03/2023 for the Pension Fund. Materiality at the planning stage of our audit is £48.0m, which equates to 1.3% of your gross assets as at 31/03/2023. We have set a lower materiality for certain fund account balances based on a proportion of the gross expenditure as at 31/03/2023 for the Pension Fund. This is £17.0m, which equates to 10% of your gross expenditure as at 31/03/2023.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
2	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

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.

	Description	Planned audit procedures
3	**Other communications relating to materiality we will report to the Audit Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2.4m (PY £2.0m). In respect of the fund account, an individual difference could normally be considered trivial if it is less than £850k. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.

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.

Overall materiality

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	48,000,000	This benchmark is determined as a percentage of the Funds Investment Assets, which has been set at approximately 1.3%.
Performance materiality	30,600,000	Performance Materiality is based on a percentage (70%) of the overall materiality.
Trivial matters	2,400,000	This balance is set at 5% of overall materiality

Fund Account materiality

	Amount (£)	Qualitative factors considered
Materiality for the Fund Account	17,000,000	This benchmark is determined as a percentage of the Funds expenditure, which has been determined as 10%
Performance materiality	11,900,000	Performance Materiality is based on a percentage (70%) of the overall materiality.
Trivial matters	850,000	This balance is set at 5% of overall materiality

Lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which materiality for the financial statements as a whole will be applied.

IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 17.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
SAP	Financial reporting	• Detailed ITGC assessment (design effectiveness only)
Altair	Pensions Admin	• Detailed ITGC assessment (design effectiveness only)

Audit logistics and team

Planning and risk assessment

Audit committee
August
Audit Plan

Year end audit
August

Audit committee
September 27th
Audit Findings Report

Audit committee
TBC
Audit opinion

Mark Stocks, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

Hal Parke, Audit Manager

Plans and manages the delivery of the audit including regular contact with senior officers.

Audited Entity responsibilities

Where audited entities do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for Buckinghamshire Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £x. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

Audit fees and updated Auditing Standards including ISA 315 Revised

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf [and has been agreed with the Director of Finance].

Audit fees

	Actual Fee 2020/21	Actual (or estimated) Fee 2021/22	Proposed fee 2022/23
Buckinghamshire Pension Fund Audit	£38,000	£46,050	£43,375
IAS 19 Letters	£8,000	£8,000	£9,100
Total Fee	**£46,000**	**£54,050**	**£52,475**

Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees	Estimated Fee
Scale Fee	£23,650
ISA 540	£3,600
Investments valuation	£5,625
Journals testing	£2,000
ISA 315	£3,000
Payroll testing	£500
Triennial valuation	£5,000
Total audit fees (excluding VAT)	**£43,375**

Independence and non-audit services

Auditor independence

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.

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 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Grant Thornton

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