

The Audit Findings Report for Buckinghamshire Pension Fund

Year ended 31 March 2023

October 2023



Contents



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This Audit Findings 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. Its contents will be discussed with management and the Audit and Governance Committee.

Name: **Mark Stocks**
 For Grant Thornton UK LLP
 Date: 08.11.2023

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 Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of 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 transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely during August-October. We have 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 D, these were primarily disclosure related. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

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;

- testing of level 2 investments, and
- receipt of detail of experience items noted by the actuary, and
- receipt of management representation letter, and
- review of the final set of financial statements, and
- finalisation of partner review and clearance of review points.

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 opinion on the financial statements will be unmodified.

Whilst (subject to the outstanding matters above) our work on the Pension Fund financial statements is complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

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 issued/propose to issue our 'consistency' opinion on the Pension Funds Annual Report alongside the financial statements opinion.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Pension Fund for their support in working with us to work constructively to resolve any and all issues and to not fall behind and to issue a timely audit opinion.

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Barnett Waddingham, and showed that the Fund had assets sufficient to cover 104% of the accrued liabilities as at the 31st March 2022. The results of the latest triennial valuation are reflected in note 18 to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample 25 and found the source data to be complete and accurate. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

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 will be discussed with management and the Audit and Governance Committee.

As auditors 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.

For Buckinghamshire Pension Fund, the Audit and Governance Committee fulfil the role of those charged with governance. The Pension Committee considers the draft financial statements and is part of the overall member oversight process.

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;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

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. These outstanding items include:

- testing of level 2 investments, and
- receipt of management representation letter and
- review of the final set of financial statements
- finalisation of partner review and clearance of review points.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. During the audit both your finance team and our audit team faced audit challenges again this year, such as remote access working arrangements i.e., remote accessing financial systems, verifying the completeness and accuracy of information provided remotely produced by the entity.

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 on 27 09 23.

We set out in this table our determination of materiality for the Pension Fund.

Overall Materiality	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	£48.0m	This benchmark is determined as a percentage of the Funds Investment Assets, which has been set at approximately 1.3%.
Performance materiality	£33.6m	Performance Materiality is based on a percentage (70%) of the overall materiality.
Trivial matters	£2.4m	This balance is set at 5% of overall materiality.
Fund Account Materiality	Pension Fund Amount (£)	Qualitative factors considered
Materiality	£17.0m	This benchmark is determined as a percentage of the Funds expenditure, which has been determined as 10%
Performance materiality	£11.9m	Performance Materiality is based on a percentage (70%) of the fund account materiality.
Trivial matters	£850k	This balance is set at 5% of fund account 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
Management override of controls	<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 by management and considered their reasonableness with regard to corroborative evidence; and • 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>
ISA240 revenue/expenditure risk - Rebutted	<p>As noted in the Audit plan we have rebutted the presumed risk of material misstatement in these area:</p> <p>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:</p> <ul style="list-style-type: none"> • 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. <p>Therefore we do not consider this to be a significant risk for the Pension Fund.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 investments	<p>We have:</p> <ul style="list-style-type: none"> • Evaluated management's processes for valuing Level 3 investments; • Reviewed 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 requested year-end confirmations from investment managers and the custodian; • For a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2023 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; and • Where available reviewed investment manager service auditor reports on design and operating effectiveness of internal controls. <p>Our audit work has not identified any material issues in respect of the valuation of Level 3 investments. We did identify a £6.3m overstatement in respect of the valuation of Level 3 investments as a result of differences identified between the value of investments disclosed in the financial statements and the capital statements received from investment managers as at 31st March 23.</p>

2. Financial Statements: Other risks

Risks identified	Commentary
Valuation of Level 2 Investments	<p>We have:</p> <ul style="list-style-type: none"> • Gained an understanding of the Fund’s process for valuing Level 2 investments and evaluated the design of the associated controls; • Reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these investments; • Reviewed the reconciliation of information provided by the individual fund managers, custodian and Pension Scheme's own records and sought explanations for variances; • independently requested year-end confirmations from investment fund managers and custodian; and • Reviewed investment fund managers service auditor reports on design effectiveness of internal controls. <p>Our audit work is currently ongoing in respect of the valuation of Level 2 investments. We currently have identified a £19.6m overstatement when comparing level 2 investment price valuations to third party prices as at 31st of March – this is subject to change.</p>
Actuarial Present Value of Promised Retirement Benefits disclosure – IAS 26	<p>We have:</p> <ul style="list-style-type: none"> • Updated 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; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary’s work; • Assessed the competence, capabilities and objectivity of the actuary who carried out the Fund’s valuation; • Assessed the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • Tested the consistency of disclosures with the actuarial report from the actuary; and • Undertaken 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. <p>Our audit work is currently on going in respect of the valuation of Actuarial Present Value of Promised Retirement Benefits disclosure where we are awaiting receipt of detail of experience items noted by the actuary.</p>

2. Financial Statements: Other risks

Risks identified**Commentary**

Local Government Pension Scheme
triennial valuation

We have:

- reviewed the methods used to calculate the estimate, including the models used
- reviewed the actuarial reports and assessed the reasonableness of the assumptions made in the reports.
- performed tests on the accuracy and completeness of the data used in the valuation process, including member data. This included examining source documents and reconciling data to supporting records.
- evaluated the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements.

Our audit work has not identified any issues in respect of the Triennial Valuation.

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Risks	Auditor view
<p>IT Control deficiencies</p> <p>Users identified with inappropriate access to ABAP debugger in production</p> <p>ABAP debugger is used for performing debugging functions such as inserting a code to correct any errors in the source code. Users are therefore able to execute unauthorised transactions through these amendments to code.</p> <p>We observed that there were 33 interactive (Dialog(A)) accounts assigned with access to ABAP Debugger in production granted via S_DEVELOP authorisation object in change mode. (Refer to APPENDIX – 1). Further, one (1) out of thirty-five (33) users with access to ABAP Debugger belonged to individuals from Finance and Payroll Team.</p>	<p>Unauthorised access to ABAP debugger granted via S_DEVELOP authorisation object in change mode increases the risk of unauthorised change or deletion of table entries including tables that are typically protected by SCC4, the ability to perform debugging functions by inserting break-point statements into program code and the ability to bypass authority checks and execute transactions user is not authorised to execute through inserting break-point statements into program code and bypassing authority checks.</p>	<p>It is recommended that the management remove ABAP debugger access permanently from production.</p> <p>It is best practise to use Firefighter accounts with an approved business case and set validity period.</p> <p>Management response</p> <p>Debug access has been removed from all active roles with change access other than for the Firefighter role. Access remains for the Support Tech role which is only assigned to our developers Martin Jackson and Hafeez Mohammed. Where possible our developers would investigate any issues across the landscape however some issues require further debug directly in the production client by the above mentioned two ABAP developers.</p>
<p>Users with inappropriate access to develop changes in development and create/import transports in production</p> <p>Our audit procedures identified one(1) user account – BASIS01 with ability to develop changes in development and users with ability to create/import transports in production via STMS/STMS_IMPORT connections between development and production.</p> <p>We performed further audit procedures and identified that the user has created transports in development and imported them into production.</p>	<p>The combination of access to develop and implement those changes in the production environment creates a risk that inappropriate or unauthorised changes are made to data and/or programs.</p>	<p>While management has implemented procedures to ensure that all changes require authorisation prior to being transported into production, it is recommended that privileged access to the production environment should be revoked from users that are involved in development.</p> <p>Management Response</p> <p>All of the transports found were created and moved as part of the major Enhancement Pack 8 upgrade last year, our HCL consultants created and moved the changes across as part of the implementation to help fix issues arisen due to the upgrade itself. You will not find any other transports created and moved through to ERP by the same user as that is not our process. Changes into ERP can only be moved by a member of Basis only after it has been approved in writing and only changes that were not created by themselves. The EHP 8 upgrade was an exceptional circumstance and not very frequent (our first EHP upgrade in over 10 years). Basis01 has been removed from the DEVACCESS table in ERD, ERQ and ERP.</p>

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £502m	<p>The Pension Fund has investments in pooled investments vehicles (infrastructure, private debt, private equity, property –unit trusts and long term investments) that in total are valued on the net assets statement as at 31 March 2023 at £502m.</p> <p>Management receive quarterly performance reports which are reviewed and subsequently presented to the Local Pensions Board in order to provide scrutiny of estimates and consider any uncertainty. Key fund managers will periodically attend committee meetings which provides an opportunity for officers and members to challenge any unusual movements or assumptions.</p> <p>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 rely on the valuations provided by the custodian (Statestreet) and investment managers for the pooled investment vehicles which the Pension Fund invests in and Brunel.</p> <p>The value of the investment has increased by £202m in 2022/23, due to additional investments made during the year.</p>	<p>Management determine the value of pooled investment vehicles by placing reliance on the reports provided by the custodian, and Brunel. As such we reviewed confirmations of year end valuations for all sampled investment managers and also agreed them to both the Custodian and Statestreet reports.</p> <p>We reviewed the audited accounts and unaudited valuations at the audited accounts date to determine if values estimated are reasonable. Where provided, we further reviewed service organisation reports for the investment managers.</p> <p>Sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code.</p> <p>The estimate is adequately disclosed in the financial statements.</p> <p>We did identify a £6.3m overstatement in respect of the valuation of Level 3 investments as a result of differences identified between the value of investments disclosed in the financial statements and the capital statements received from investment managers as at 31st March 23.</p>	[Light Purple]

Assessment

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

2. Financial Statements: key judgements and estimates













Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £3,234m	<p>The Pension Fund has level 2 investments in pooled funds with Brunel that in total are valued on the balance sheet as at 31 March 2023 at £3,234m.</p> <p>Similar to the level 3 assets, Management receive quarterly performance reports which are reviewed and subsequently presented to the Local Pensions Board in order to provide scrutiny of estimates and consider any uncertainty. Key fund managers will periodically attend committee meetings which provides an opportunity for officers and members to challenge any unusual movements or assumptions.</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 obtains valuations from the pooled fund manager (Brunel and custodian to ensure that valuations are materially fairly stated.</p> <p>The value of the investment has decreased by £346m in 2022/23 largely due to the migration of investments to Level 3 holdings during the year.</p>	<p>Our assessment of the estimate comprised:</p> <ul style="list-style-type: none"> • reviewing year end valuation reports for the individual fund managers of the pooled investment vehicles • triangulating the investment values between the custodian, Brunel and the individual fund managers of the pooled investment vehicles since management place their reliance on the valuations provided by Statestreet and Brunel. • agreeing investment unit prices or valuations to reports from the custodian and fund managers and the audited accounts for that asset . • testing observable inputs to appropriate and recognised sources where available. • for investments where there were no observable inputs, we treated the fund managers as experts <p>We assessed the appropriateness of the underlying information and techniques used to determine the estimate and checked the adequacy of disclosure of the estimate in the financial statements.</p> <p>Our audit work is currently ongoing in respect of the valuation of Level 2 investments. We currently have identified a £19.6m overstatement when comparing level 2 investment price valuations to third party prices as at 31st of March – this is subject to change.</p>	[Light Purple]

Assessment





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

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating		
			Security management	Technology acquisition, development and maintenance	Technology infrastructure
SAP	ITGC assessment (design effectiveness only)				
Altair	ITGC assessment (design effectiveness only)				
Active Directory	ITGC assessment (design effectiveness only)				

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

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 has been requested from the Pension Fund, which is included in the Audit and Governance Committee papers.
Audit evidence and explanations	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to your custodian, fund managers and banks. This permission was granted and the requests were sent.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

2. Financial Statements: other communication requirements



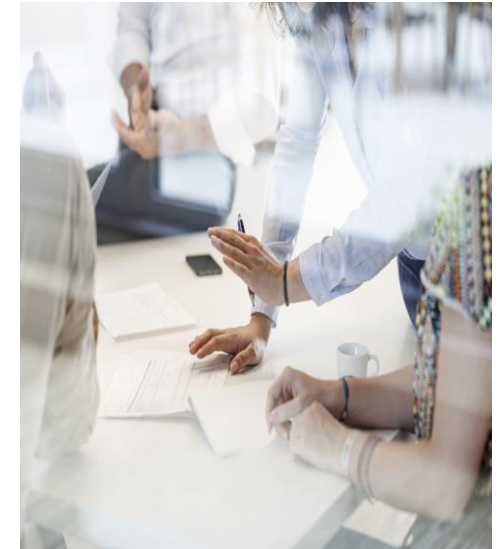
Our responsibility

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 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 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 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
Other information	The Pension Fund is administered by Buckinghamshire Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to 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. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
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 propose to issue our 'consistency' opinion on the Pension Fund's Annual Report alongside the opinion of the financial statements. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.



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 and consider that an objective reasonable and informed third party would take the same view. 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 E.

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 [Grant Thornton International Transparency report 2023](#).

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. No non-audit services were identified which were charged from the beginning of the financial year to March 2023. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
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- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion

A. Communication of audit matters to 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	•	
Confirmation of independence and objectivity	•	•
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 findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
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 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		•

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 Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

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.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 2 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 2023/24 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	Risks	Auditor view
High	<p>IT Control deficiencies</p> <p>Users identified with inappropriate access to ABAP debugger in production</p> <p>ABAP debugger is used for performing debugging functions such as inserting a code to correct any errors in the source code. Users are therefore able to execute unauthorised transactions through these amendments to code.</p> <p>We observed that there were 33 interactive (Dialog(A)) accounts assigned with access to ABAP Debugger in production granted via S_DEVELOP authorisation object in change mode. (Refer to APPENDIX – 1). Further, one (1) out of thirty-five (33) users with access to ABAP Debugger belonged to individuals from Finance and Payroll Team.</p>	<p>Unauthorised access to ABAP debugger granted via S_DEVELOP authorisation object in change mode increases the risk of unauthorised change or deletion of table entries including tables that are typically protected by SCC4, the ability to perform debugging functions by inserting break-point statements into program code and the ability to bypass authority checks and execute transactions user is not authorised to execute through inserting break-point statements into program code and bypassing authority checks.</p>	<p>It is recommended that the management remove ABAP debugger access permanently from production.</p> <p>It is best practise to use Firefighter accounts with an approved business case and set validity period.</p> <p>Management response</p> <p>Debug access has been removed from all active roles with change access other than for the Firefighter role. Access remains for the Support Tech role which is only assigned to our developers Martin Jackson and Hafeez Mohammed. Where possible our developers would investigate any issues across the landscape however some issues require further debug directly in the production client by the above mentioned two ABAP developers.</p>
High	<p>Users with inappropriate access to develop changes in development and create/import transports in production</p> <p>Our audit procedures identified one(1) user account – BASIS01 with ability to develop changes in development and users with ability to create/import transports in production via STMS/STMS_IMPORT connections between development and production.</p> <p>We performed further audit procedures and identified that the user has created transports in development and imported them into production.</p> <p>Controls</p> <ul style="list-style-type: none"> ● High – Significant effect on financial statements ● Medium – Limited Effect on financial statements ● Low – Best practice 	<p>The combination of access to develop and implement those changes in the production environment creates a risk that inappropriate or unauthorised changes are made to data and/ or programs.</p>	<p>While management has implemented procedures to ensure that all changes require authorisation prior to being transported into production, it is recommended that privileged access to the production environment should be revoked from users that are involved in development.</p> <p>Management Response</p> <p>All of the transports found were created and moved as part of the major Enhancement Pack 8 upgrade last year, our HCL consultants created and moved the changes across as part of the implementation to help fix issues arisen due to the upgrade itself. You will not find any other transports created and moved through to ERP by the same user as that is not our process. Changes into ERP can only be moved by a member of Basis only after it has been approved in writing and only changes that were not created by themselves. The EHP 8 upgrade was an exceptional circumstance and not very frequent (our first EHP upgrade in over 10 years). Basis01 has been removed from the DEVACCESS table in ERD, ERQ and ERP.</p>

C. Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire Pension Fund's 2021/22 financial statements, which resulted in 6 recommendations being reported in our 2021/22 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>1. Allocation of SAP_ALL and SAP_NEW profiles to service and dialog accounts</p> <ul style="list-style-type: none"> 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. 	<p>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.</p>
✓	<p>2. The standard SAP account DDIC has not been locked</p> <ul style="list-style-type: none"> 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. 	<p>Response: This user is used for upgrade purposes only and not for firefighting. The account has been locked.</p>
✓	<p>3. Inappropriate user access rights allocated to users and generic accounts</p> <ol style="list-style-type: none"> 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. 21 users had been assigned the SU01 transaction code. 22 users had been assigned the PFCG transaction code. The generic user account SAPSUPPORT had also been assigned the SU01 and PFCG transaction codes with an end date of 01/12/2021. The generic user account SAPSUPP had also been assigned the SU01 and PFCG transactions codes with an end date of 25/04/2021. 	<p>Response:</p> <ol style="list-style-type: none"> No comment required. This is to allow Admin Service Desk users to perform user maintenance and user creation. This is to allow admin colleagues to assign roles. Roles are assigned to a user's post and not directly to a user. 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. 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.

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>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.</p> <p>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.</p>	<p>Response:</p> <p>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.</p>
✓	<p>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.</p> <p>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.</p>	<p>Response:</p> <p>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.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Errors identified from member data controls testing</p> <ul style="list-style-type: none"> 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. <p>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.</p> <p>The Pension fund also incorrectly classified an undecided leaver as leaver.</p>	<p>Response:</p> <p>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.</p> <p>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.</p> <p>Statutory Notifications – the issue with Statutory Notifications has been resolved. The content and format of the Statutory Notification and procedures are being reviewed.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

There were no adjusted misstatements which would impact on the key statements and the reported net assets for the year ending 31 March 2023.

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/issue/Omission	Auditor recommendations	Adjusted?
Update the audit fee disclosure to be inline with the audit plan.	Management response Management have agreed to update the disclosure to reflect the audit plan.	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The unadjusted misstatements which would impact on the key statements and the reported net assets for the year ending 31 March 2023 are noted in the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
<ul style="list-style-type: none"> Level 3 Investment assets (Profit) and losses on disposal of investments and changes in value of investments <p>Differences identified between the value of investments disclosed in the financial statements and the capital statements as at 31 March 2023 received from third party investment managers.</p>	6,323	-6,323	-6,323	Not material
<ul style="list-style-type: none"> Level 2 Investment assets (Profit) and losses on disposal of investments and changes in value of investments <p>Differences identified between the value of investments disclosed in the financial statements and the capital statements as at 31 March 2023 received from third party investment managers. – Subject to change on finalisation of Level 2 investments checks.</p>	19,587	-19,587	-19,587	Not material

D. Audit Adjustments (continued)

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 2021/22 financial statements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
<ul style="list-style-type: none"> • Investment assets • (Profit) and losses on disposal of investments and changes in value of investments <p>Differences identified between the value of investments disclosed in the financial statements and the capital statements as at 31 March 2022 received from third party investment managers.</p>	2,623	-2,623	-2,623	Not material

E. Fees and non-audit services

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	Proposed fee
Scale Fee	£23,650
Impact of ISA 540	£3,600
Valuation of Investments	£5,625
Journals testing	£2,000
Impact of ISA 315	£3,000
Triennial valuation	£5,500
Pension Fund Audit	£43,375
IAS 19 letters for employer body auditors*	9,600
Total audit fees (excluding VAT)	£52,975

The fees reconcile to the financial statements.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

