

# The Audit Findings for the City of Westminster Pension Fund

Year ended 31 March 2021

20 September 2021



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the City of Westminster Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2021 for those charged with governance.

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## Financial Statements

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

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

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, the wording of which is included in Appendix C, or material changes to the financial statements, subject to the outstanding matters listed on the next page.

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

Our anticipated audit report opinion will be unmodified (subject to conclusion of outstanding matters)

Our audit work was completed remotely during June-September. Our findings are summarised on pages 4 to 13.

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 A.

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## 2. Financial Statements

### Overview of the scope of our audit

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

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

### Audit approach

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

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

We have not had to alter our audit plan, as communicated to you in June 2021.

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 29 September 2021, as detailed in Appendix C.

These outstanding items include:

- Completion of testing of a sample of movements in the Pension Fund's member data to support our work on contributions and pension payments;
- Final quality checks and senior personnel reviews of the audit work performed;
- Review of the updated financial statements to ensure that expected adjustments have been processed, and that they are internally consistent;
- Receipt of management's signed representation letter;
- Review of the final Annual Report; and
- Review of the final, approved set of financial statements.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

As highlighted in our audit plan presented to the Audit Committee in June 2021, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, including remote access of financial systems, and verifying the completeness and accuracy of information produced and provided remotely by the entity.

The finance team have been extremely helpful in enabling us to gain the assurance that we require for our auditor's opinion on the financial statements.

## 2. Financial Statements



### Our approach to materiality

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

We have revised our materiality levels from those reported in our Audit Plan in June 2021, due to the increase in the Pension Fund's asset base.

We detail in the table to the right our determination of materiality for the City of Westminster Pension Fund.

|  | Pension Fund Amount (£) |
|--|-------------------------|
| Materiality for the financial statements | £17,500k                |
| Performance materiality                  | £13,100k                |
| Trivial matters                          | £875k                   |



## 2. Financial Statements - Significant risks

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

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

| Risks identified in our Audit Plan  | Commentary   |
|---|--|
| <p><b>Management override of controls</b><br/><b>ISA (UK) 240</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals;</li> <li>• analysed the journals listing and determined criteria for selecting high risk unusual journals;</li> <li>• tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>We have not identified any changes to the Pension Fund’s accounting policies, or to the estimation processes for material estimates in the financial statements.</p> <p>Our detailed testing of individual journal transactions identified as being unusual through our risk-based analysis has not identified any issues at the time of writing this report.</p> |
| <p><b>Presumed risk of fraud in revenue recognition</b><br/><b>ISA (UK) 240</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>  | <p>Having considered the risk factors set out in ISA (UK) 240 and the nature of the revenue streams at the City of Westminster Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including the Fund, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for the City of Westminster Pension Fund.</p> <p>Testing of the Pension Fund’s revenues in-year has not identified any issues, or any concerns that would make us revisit this assessment.</p>   |

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of Level 3 investment assets

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

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

Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2021.

We have:

- gained an understanding of the Fund's process for valuing level 3 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 types of investments to ensure that the requirements of the Code are met;
- considered the competence, expertise and objectivity of any management experts used;
- reviewed the qualification of the expert used to value Level 3 investments at year end and gained an understanding of how the valuation of these investments has been reached; and
- 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. Reconcile those values to the values at 31 March 2020 with reference to known movements in the intervening period.

Our audit work has not identified any issues in respect of the valuation of Level 3 investments.

## 2. Financial Statements – key judgements and estimates

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

| Significant judgement or estimate   | Summary of management's approach   | Audit Comments   | Assessment  |
|---|--|--|---|
| <p><b>Level 3 Investments</b></p> <p><b>Draft: £43.0m</b></p> <p><b>Final: £43.0m</b></p> | <p>The Pension Fund holds investments in Pantheon Pooled infrastructure investments totalling £29.7m at 31 March 2021.</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.</p> <p>The Pension Fund also holds investment in Quinbrook and Macquarie Renewable Infrastructure Funds totalling £7.3m and £6.0m respectively at 31 March 2021.</p> <p>These investments are traded on an open exchange/market, but the valuation of the investment is highly subjective due to a lack of observable inputs.</p> <p>Management have reviewed the year end valuations provided by the Fund Managers including the most recent set of financial statements.</p> <p>The value of the investment within the Pantheon Pooled infrastructure investments has increased by £9.1m in 2020/21, largely due to additional investment during the financial year. The investments in Quinbrook and Macquarie Renewable Infrastructure Funds are new in-year.</p> | <p><b>Pantheon</b></p> <ul style="list-style-type: none"> <li>Assets are valued at Fair Value in line with the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines. The inputs used to value the investments when using the market approach may include, but are not limited to, prices and other relevant information generated by the market transactions, type of security, size of the position, purchase price, purchases of the same or similar securities by other investors, marketability, foreign exchange rates, degree of liquidity, restrictions on the disposition, latest round of financing data, completed or pending third-party transactions in the underlying investment or comparable issuers, current financial position and operating results among other factors. The underlying investments are all in infrastructure covering energy, telecom, transport, and water &amp; environmental services as well as aerospace and defence, healthcare, technology, information technology, and other government industries.</li> <li>The Pantheon audited accounts as at 31 December 2020 were reviewed and they were unqualified.</li> <li>We have compared the audited financial statements as at 31 December with the capital statement at the same date which identified a highly immaterial difference. This gives us assurance that the estimation techniques are appropriate. We have confirmed the balance in the financial statement to the Pantheon capital statement as at 31 March 2021.</li> </ul> <p><b>Quinbrook Renewable Infrastructure &amp; Macquarie Renewable infrastructure</b></p> <ul style="list-style-type: none"> <li>Investments in these funds are immaterial to the financial statements, at £13.3m in total.</li> <li>Assets are valued using a number of complex inputs, some of which are unobservable due to the nature of the investments being undertaken.</li> <li>We have reviewed the unaudited financial statements of Quinbrook and the audited financial statements of Macquarie as at 31 March 2021 (which received an unmodified audit report). We agreed the valuations of these investments to independent valuations as at 31 March 2021 with no differences noted.</li> </ul> <p>We are satisfied that the estimate is fairly stated. The accounting policies are reasonable and the disclosures within the financial statements are appropriate.</p> | <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> |

### Assessment

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

## 2. Financial Statements – key judgements and estimates

| Significant judgement or estimate  | Summary of management's approach  | Audit Comments   | Assessment  |
|--|---|--|---|
| <b>Level 2 Investments</b><br><b>Draft: £1,641m</b><br><b>Final: £1,641m</b> | <p>The Pension Fund have investments in Pooled Equity Funds, Pooled Bonds Funds, Pooled Multi Credit Funds and a Pooled Long Lease Fund.</p> <p>The underlying investments are traded on an open exchange/market although the pooled valuation of the investment is subjective.</p> <p>The Fund obtains valuations from the fund manager and an independent confirmation from the custodian to ensure that valuations are materially fairly stated.</p> | <ul style="list-style-type: none"> <li>We have reviewed the estimation processes for the Level 2 investments and are satisfied that these are in line with industry standards.</li> <li>We have compared the valuations provided by the fund managers with the custodian and are satisfied that there are no significant differences in the valuations.</li> </ul> <p>We are satisfied that the estimate is fairly stated. The accounting policies are reasonable and the disclosures within the financial statements are appropriate.</p> | <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> |

### Assessment

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

## 2. Financial Statements - matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

| Significant matter                 | Commentary   | Work performed  |
|------------------------------------|--|---|
| Membership numbers and member data | <p>In our audit findings report for the 2019/20 financial year, we included commentary on an internal audit report at Surrey County Council (to whom the Fund outsources day to day pensions administration) which resulted in a minimal assurance opinion in 2018/19.</p> <p>As in previous years, we have not placed any reliance on the controls at Surrey County Council Pension Fund and our work includes undertaking our own substantive testing on member data and pensions payable. We have not identified any errors in the Pensions Payments in the City of Westminster Pension Fund.</p> <p>Management undertook their own data cleansing exercise in 2019, and commissioned a third party supplier to carry out a detailed analysis on the funds data, and a subsequent project to deal with approximately 1200 status 2 cases (cases that still need to be processed).</p> <p>This exercise completed during 2020/21. This has not impacted on the contributions and pensions payable figures paid into and out of the fund. It has, however, meant that there have been some significant changes in the membership numbers disclosed in Note 1 to the financial statements.</p> | <p>Due to the changes in membership as a result of the independent exercise to deal with the status 2 cases, there have been delays in management being able to provide us with member numbers and populations on which to base our testing of movements in the Fund's member data. This testing is therefore not yet complete at the time of writing this report.</p> <p>We have requested confirmation of the potential impact that these changes might have on the whole fund valuation under IAS26 from the Fund's actuary. We have not yet had a response to this request.</p> <p>On receipt of this response and the information requested we will be able to conclude on this significant matter. This is anticipated to be by end of September so we can sign the financial statements.</p> |

## 2. Financial Statements - other communication requirements

We set out 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   |
|---|--|
| <b>Matters in relation to fraud</b>                               | We have previously discussed the risk of fraud with the Audit and Performance Committee and have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.  |
| <b>Matters in relation to related parties</b>                     | We are not aware of any related parties or related party transactions which have not been disclosed.   |
| <b>Matters in relation to laws and regulations</b>                | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.   |
| <b>Written representations</b>                                    | A letter of representation has been requested from the Pension Fund, which is included in Appendix D.  |
| <b>Confirmation requests from third parties</b>                   | We requested from management permission to send confirmation requests to the Pension Fund's custodian, fund managers and banks. This permission was granted and the requests were sent. These requests were returned with positive confirmation.   |
| <b>Accounting practices</b>                                       | We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.   |
| <b>Audit evidence and explanations / significant difficulties</b> | <p>Due to the changes in membership data as a result of the independent exercise to deal with the status 2 cases, there have been delays in management being able to provide us with member numbers and populations on which to base our testing of movements in the Fund's member data. This testing is therefore not yet complete at the time of writing this report.</p> <p>All other information and explanations requested from management were provided.</p> |

## 2. Financial Statements - other communication requirements



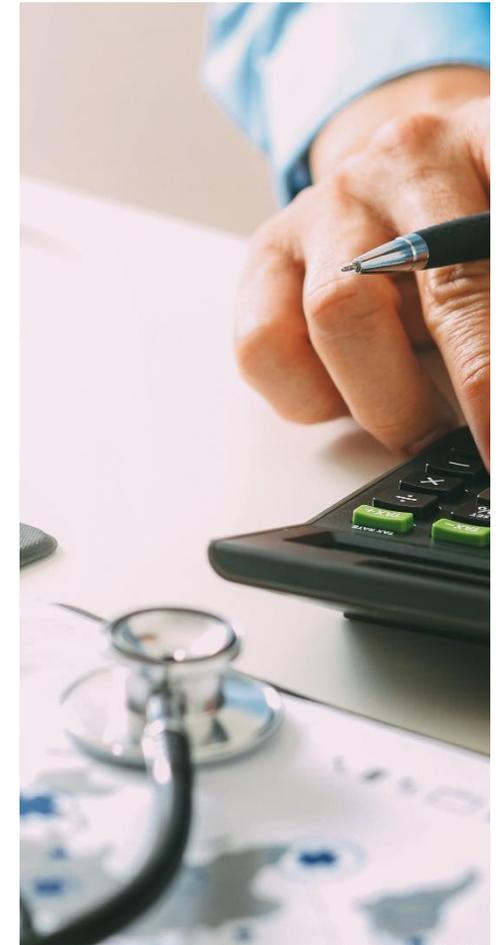
### Our responsibility

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  |
|----------------------|---|
| <b>Going concern</b> | <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"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Pension Fund and the environment in which it operates</li> <li>the Pension Fund's financial reporting framework</li> <li>the Pension Fund's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul> |

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

| Issue  | Commentary  |
|--|---|
| <b>Disclosures</b>                             | No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect, as set out in Appendix C.  |
| <b>Matters on which we report by exception</b> | <p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.</p> <p>We propose to issue our 'consistency' opinion on the Pension Funds Annual Report on the same day we give our audit opinion, subject to review of the final version of this report.</p> |



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## 3. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix C.

### 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 September 2021.

### Transparency

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

# Appendices

# A. Audit Adjustments

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

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. No other issues have been identified that require reporting.

| Disclosure  | Detail  | Adjusted? |
|---|---|-----------|
| Critical Judgements (Note 4)<br>Sources of Uncertainty (Note 5) | We noted that the items disclosed as critical judgements in the Pension Fund's draft financial statements did not meet the definition of a critical judgement. We also noted that the estimation uncertainty disclosed in the draft financial statements in relation to the valuation of level 3 investments was immaterial to the accounts.<br>We therefore requested that these items be removed from the financial statements.   | ✓         |
| Contributions Receivable (Note 6)                               | Our testing identified that the Fund incorrectly used the 2019/20 contribution rate of 15.7% to calculate employer's contributions within Note 6 to the draft financial statements. This issue only impacts the calculation of the figures in the disclosure note, and no error has been made in the calculation and collection of these contributions. Using the correct rate of 16.8% would increase the disclosed normal contributions by £1.3m, and reduce the disclosed deficit recovery contributions by the same amount. | ✓         |
| Various   | A number of other minor changes have been made to disclosure notes and accounting policies throughout the financial statements to improve accuracy, clarity and user understanding.   | ✓         |

## B. Fees

We confirm below our final fees charged for the audit.

| Audit fees                              | Proposed fee   | Final fee   |
|---|----------------|-------------|
| Pension Fund Audit                      | £33,000        | £TBC        |
| <b>Total audit fees (excluding VAT)</b> | <b>£33,000</b> | <b>£TBC</b> |

The fees reconcile to the financial statements as follows:

- PSAA scale fee £16,170
- ongoing additional fees from prior year £8,830 (subject to PSAA approval)
- fees per financial statements £25,000
- proposed additional fee 2020/21 £8,000 (subject to PSAA approval)
- total fees per above £33,000

No additional non-audit or audited related services have been undertaken for the Pension Fund.

# C. Audit opinion

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

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

### Opinion

We have audited the financial statements of the City of Westminster Pension Fund (the 'Pension Fund') administered by Westminster City Council (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

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

### Conclusions relating to going concern

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

In our evaluation of the Executive Director of Finance and Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

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

In auditing the financial statements, we have concluded that the Executive Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Executive Director of Finance and Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Executive Director of Finance and Resources and Those Charged with Governance for the financial statements' section of this report.

# C. Audit opinion

## Other information

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

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

We have nothing to report in this regard.

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

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

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

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

## Responsibilities of the Authority, the Executive Director of Finance and Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, set out on page xx, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Finance and Resources. The Executive Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

# C. Audit opinion

ISAs (UK).

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit and Performance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Audit and Performance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered the Pension Fund's financial performance for the year.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Executive Director of Finance and Resources has in place to prevent and detect fraud;
  - journal entry testing, with a particular focus on significant journals at the end of the financial year which impacted on the Pension Fund's financial performance;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of level 3 investments, and IAS 26 pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The team communications in respect of potential non-compliance with relevant laws and regulations and fraud included the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuations of the Pension Fund's level 3 investments, and IAS 26 pensions liability.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - **the provisions of the applicable legislation**
    - **guidance issued by CIPFA, LASAAC and SOLACE**
    - **the applicable statutory provisions.**
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

## Use of our report

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

# D. Management Letter of Representation

Dear Sirs

## City of Westminster Pension Fund Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of the City of Westminster Pension Fund for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

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

### Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of level 2 and level 3 investments. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or

source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Fund has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- ix. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the Fund's

# D. Management Letter of Representation

financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :

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

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

## Information Provided

- xiv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Fund via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.

- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xxii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xxiii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## Approval

The approval of this letter of representation was minuted by the Authority's Audit and Performance Committee, on behalf of the Pension Fund, at its meeting on 29 September 2021.

