

The Audit Findings Report for the City of Westminster Pension Fund

Year ended 31 March 2022

23 February 2023



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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 Westminster City Council Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

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

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

Our audit work was completed on remotely during July 2022 to February 2023. This was longer than initially planned due to additional work arising from the change in Pensions Administration System during the course of the year, and challenges with obtaining the evidence for some longstanding pensioners during our work on Benefits Payable.

Our findings are summarised on pages 4 to 17. To date, we have not identified any adjustments to the Pension Fund's reported financial position, albeit we have identified several unadjusted misstatements, totalling **£5.3m**, which management have agreed to not amend as they are immaterial to the Accounts. We have also identified a number of minor disclosure points, which are documented within Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A, relating to the calculation of investment income, access to pensioner records, and the assessment of the control environment at the outsourced provider. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (refer to Appendix E) or material changes to the financial statements, subject to the following outstanding matters;

- receipt of management's representation letter (refer to Appendix F); and
- receipt and review of the final Pension Fund Annual Report
- review of the final set of financial statements.

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

Our anticipated audit report opinion will be unmodified.

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.

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;
- 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 had to alter our audit plan, as communicated to you on 2 August 2022, to reflect a new significant risk, which was identified relating to the change in your Pensions Administration System as part of the move of this function from Surrey County Council to Hampshire County Council. We also communicated a change in our approach to the testing of Investments within the same Audit Plan Addendum. No other changes have been identified to our approach.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unmodified audit opinion following the Audit and Performance Committee meeting on 23 February 2023, as detailed in Appendix E. These outstanding items include:

- receipt of management's representation letter; and
- review of the final 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.

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 calculations to take account of the increase in the Pension Fund's Net Assets in year.

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

Pension Fund Amount (£) Qualitative factors considered

Materiality for the financial statements	18,700,000	Our Headline Materiality is based on the Net Assets of the Fund. Due to the considerable increase in the value from the prior year, we have revised this figure upwards ahead of the Final Accounts Audit.
Performance materiality	14,025,000	Performance Materiality is based on a percentage of the overall materiality.
Trivial matters	935,000	Triviality is based on a percentage of the overall materiality.



2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</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>During the audit, we have undertaken the following work:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>No issues have been identified from the testing in this area.</p>



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

The revenue cycle includes fraudulent transactions (rebutted)

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including the City of Westminster Pension Fund, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for the City of Westminster Pension Fund.

Commentary

Having considered the risk factors set out in ISA(UK&I)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:

The nature of the Pension Fund's revenue is in many respects relatively predictable and does not generally involve cash transactions.

Revenue contributions are made by direct bank transfers from admitted / scheduled bodies and are supported by separately sent schedules and are directly attributable to gross pay making any improper recognition unlikely.

Transfers into the pension scheme are all supported by an independent actuarial valuation of the amount which should be transferred and which is subject to agreement between the transferring and receiving funds.

During the audit, we have undertaken the following work:

- reviewed and tested the Fund's revenue recognition policies
- performed testing on the Fund's material revenue streams

From the testing performed, we identified that Investment Income for two of the Funds held with the London Collective Investment Vehicle (London CIV) had not been accounted for on an accruals basis, which results in a potential understatement of income of **£762k**. This is because management have included balances from January to December 2021, as opposed to the 12 months relating to the financial year, as they have taken a view any differences will be immaterial to the Accounts.

We also identified that the Fund had recorded a **£893k** interest equalisation balance paid to Man Group as negative Investment Income instead of a Management Expense. Whilst the CIPFA Code is silent on how to account for this balance, our view is it should be shown as an expense, rather than reducing income, which is the decision management have taken. As these balances are immaterial to the Accounts, the Fund has not adjusted for this, and they have been included as unadjusted misstatements later in the Report.

No other issues were identified from the work performed in this area.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

The valuation of Level 3 Investments is incorrect

The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.

By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (**£106.6 million**) and the sensitivity of this estimate to changes in key assumptions

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

Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2022.

Commentary

During the audit, we have undertaken the following work:

- gained an understanding of the Pension 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 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;
- undertaken consideration of the competence, expertise and objectivity of any management experts used;
- reviewed the qualifications the Level 3 Fund Managers used to value Level 3 investments at year end and gained an understanding of how the valuation of these investments has been reached; and
- tested the valuations by obtaining and reviewing audited accounts at the latest date for individual investments as at 31 March 2022 and comparing to the figures to those included in the draft Accounts for any variances.

During the testing performed, we identified variances totalling **£6.378 million** between the value of the Level 3 Investments included within the Accounts and the year end confirmations received from the relevant Fund Managers. These variances were due to the Fund Managers valuations taking into account more up to date information relating to the value as at 31 March 2022 than was available when the draft Accounts were produced. As these variances are not material, management has decided not to amend the Accounts, and these variances have been reported as an unadjusted misstatement later in the Report.

No other issues were identified from the work performed in this area.

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	Commentary	Auditor view
<p>Transfer of Member Data between Systems – new Significant Risk</p> <p>In November 2020, the Pension Fund took the decision to transfer its Member Administration from its former provider, Surrey County Council, to a new provider, Hampshire County Council. Hampshire CC already provide services to the Pension Fund, such as its General Ledger under the Tri-Borough Arrangements.</p> <p>This system transfer, which took place in November 2021, saw the Pension Fund move from Altair to Oracle UPM, requires the transfer of all member records held on the outgoing system, which are key to the calculation of a number of pension tasks, such as the pensions due to members upon retirement. Thus there is a risk that if the data transfer does not facilitate a complete and accurate transfer of data, that members could be paid incorrect balances, or could be given an incorrect status on the new system.</p>	<p>In respect of this area, we have performed the following work:</p> <ul style="list-style-type: none"> • Reviewed the processes and controls which have been put in place by the Pension Fund to ensure the effective transfer of data between the two systems; • Reviewed any work undertaken by Internal Audit during the course of the transfer; • Reviewed the terms of engagement that have been agreed between the Pension Fund and Hampshire CC in respect of these services; • Considered whether there is a controls report in place to cover the services provided by Hampshire CC to the Pension Fund, and if not, what impact this will have on our detailed testing mentioned below. • Engaged our IT Specialists to undertake testing on the completeness of the data transfer between the two systems; • Undertaken sample testing of records from both systems to ensure they have been correctly reflected on the new System/tie back to the old System correctly 	<p>Whilst we have been able to obtain sufficient assurance over the transfer of the data, there is a gap in assurance over the operation of the controls within the Pensions Administration function during the year. This is due to Hampshire County Council not commissioning an internal control report which can then be relied on by both the Council and us as external auditors. We have raised a recommendation for management in respect of this area, which has been documented within Appendix A.</p>

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	Commentary	Auditor view
<p>Change in Actuary by the Council – not a Significant Risk</p> <p>Upon review of the draft financial statements, we identified that the Council had effected a change in Actuary during the course of the year, moving from Barnett Waddingham to Hymans Robertson. This wasn't a change that we were made aware of during our planning procedures, hence why this wasn't mentioned in our initial Audit Plan. The Council's Actuary provides an important service to the Council and Pension Fund, providing an accurate picture on an annual basis of the value of the Council's Pension Fund Liability, which is supported by the Triennial Valuations where a full review of the Pension Fund's position is obtained.</p> <p>A change in Actuary will require data to be made available to the new Actuary, albeit the Actuary will be able to obtain this directly from the Pension Fund as opposed to from the former Actuary. As a result, we are satisfied that this doesn't generate a Significant Risk, but does provide an additional area of focus for our work.</p>	<p>In respect of this area, we have performed the following work:</p> <ul style="list-style-type: none"> evaluated management's process for ensure complete and accurate is transferred to the new Actuary; engaged with the new Actuary to understand the processes they have undertaken ahead of the transfer and during the transfer to ensure they have all of the required information to produce the 2021-22 reports; discussed the assumptions made by the Actuary when preparing the roll-forward 2021-22 Reports included within the Council and Pension Fund Accounts; Confirmed the completeness and accuracy of the IAS26 Disclosures included within the Council and Pension Fund Accounts. 	<p>From the work performed in this area, we have obtained sufficient assurance over the impact of the change in Actuary on the Pension Fund Accounts. We have spoken to Hymans Robertson and they have obtained appropriate assurance over the data at this stage. A full review of the data is currently taking place as part of the Triennial Valuation Exercise, which will be performed as at 31 March 2022.</p> <p>Going forward, the Council should seek to engage with Hampshire CC to ensure adequate assurance can be provided over the outsourced Administration function, both for the Council and for the purposes of our external audit. We have raised a recommendation for management in respect of this area, which has been documented within Appendix A.</p>

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	Commentary	Auditor view
<p>Valuation of Level 2 Investments – not a Significant Risk</p> <p>Since the planning stage, we have identified a required change in our audit approach from that we were proposing to take. Normally, a significant element of our assurance over the valuation of the Level 2 Investments included within the Accounts would come from a triangulation exercise between the values included within the Accounts, and those provided independently by the relevant Fund Managers and the Custodian.</p> <p>Following discussions held with the Fund’s Custodian, we have confirmed that the Custodian does not independently value any of the Fund’s Investments, and that they just take the valuations provided to them by the Fund Managers, which means we do not have sufficient assurance from this exercise. Thus we will need to undertake alternative procedures to gain sufficient assurance over this area.</p>	<p>We have undertaken the following work in respect of this risk:</p> <ul style="list-style-type: none"> undertaken alternative procedures over the Level 2 Investments included within the Accounts, which included testing of prices back to external sources, comparison of unit holdings between the Fund Manager and Custodian, and sample testing of purchases and sales which have taken place during the course of the year. also considered the classification of investments as Level 2 (and Level 3 as well) to confirm whether this is correct, or whether they should be held at a different level. This is important as it then drives the level of work that we need to do in respect of each investment, as in particular as Level 3 Investments are a significant risk then this generates further work than if they remained at Level 2. 	<p>Based on the work performed, we have been able to obtain sufficient assurance over the Level 2 valuations included within the Accounts., following the completion of the work documented in this area.</p> <p>During our pricing testing, we identified a £2.047m variance between the last available price for the Fund’s Investment held with Aberdeen, and the quoted price at year end. Whilst we understand this is a timing difference, and has arisen as a result of limitations in our audit procedures in this area, due to the size of the variance we are required to report to management as an unadjusted misstatement in Appendix C.</p>

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	Commentary	Auditor view
<p>Records for Existing Pensioners</p> <p>The Pension Fund should ensure that sufficient records are held relating to the pension entitlement and calculations of existing pensioners to be able to support these calculations from an audit perspective, and to enable the Fund to deal with any challenges or queries they may receive from the pensioners ourselves.</p>	<p>During our testing of the Benefits Payable balance included within the Accounts, the Fund has encountered difficulties in providing with sufficient evidence to validate elements of the calculation of the pensions currently in payment. Whilst we have been able to obtain sufficient assurance that the balance in the Accounts is not materially misstated, the Fund should ensure that adequate information is in place to support the pensions currently in payment.</p> <p>We are currently finalising our work in this area to confirm the potential impact of this issue on the Accounts.</p>	<p>Ensure adequate records are held to support all pensions which are currently in payment to enable any queries/challenges to be dealt with in a timely manner.</p> <p>We have raised a recommendation for management in respect of this area, which has been documented within Appendix A.</p> <p>We will provide an update on the outstanding testing at the Audit and Performance Committee.</p>

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>Level 3 investments - £106.6 million</p>	<p>The Pension Fund has investments in Infrastructure and Affordable Housing Funds that in total are valued on the Net Asset Statement as at 31 March 2022 at £106.4 million.</p> <p>These investments are not traded on an open exchange/market and the valuation of these investments is highly subjective due to a lack of observable inputs. In order to determine the values, management rely on the valuation provided by the Fund Manager, which are usually based on an audited value of the fund as at 31 December 2021, with the valuation then rolled forward to March 2022, considering any cash movements which have taken place in the intervening period. The Fund has invested in a new Affordable Housing Fund in 2021-22 with Man Group, which had a value of £29.5 million as at 31 March 2022.</p>	<p>Based on the work performed, we have been able to obtain sufficient assurance over the Level 3 valuations included within the Accounts.</p> <p>During the testing performed, we identified variances totalling £6.378 million between the value of the Level 3 Investments included within the Accounts and the year end confirmations received from the relevant Fund Managers. These variances were due to the Fund Managers valuations taking into account more up to date information relating to the value as at 31 March 2022 than was available when the draft Accounts were produced. As these variances are not material, management has decided not to amend the Accounts, and these variances have been reported as an unadjusted misstatement later in the Report.</p>	<p style="text-align: center;">● Grey</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
Level 2 Investments – £1,735,846m	<p>The Pension Fund have investments in Bonds and Pooled Investment Vehicles that in total are valued on the Net Asset Statement as at 31 March 2022 at £1,735,846 million.</p> <p>Whilst these investments themselves are not actively traded on an open market, the underlying investments are and the valuations of these investments will be based on the value of these underlying investments at 31 March 2022, or the closest trade date to year end.</p> <p>The valuation of these investments has increased by £51.4 million from their value at 31 March 2021 (£1,684,456 million).</p>	<p>Based on the work performed, we have been able to obtain sufficient assurance over the Level 2 valuations included within the Accounts.</p> <p>During our pricing testing, we also identified a £2.047m variance between the last available price for the Fund's Investment held with Aberdeen, and the quoted price at year end. Whilst we understand this is a timing difference, and has arisen as a result of limitations in our audit procedures in this area, due to the size of the variance we are required to report to management as an unadjusted misstatement in Appendix C.</p>	<p>● Light Purple</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 - 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 Performance 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 appended to this Report.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests to all of the Pension Fund's counter parties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.</p> <p>We requested management to send letters to those solicitors who worked with the Pension Fund during the year. All responses have been received and no issues have been identified.</p>
Accounting practices	<p>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.</p>
Audit evidence and explanations/significant difficulties	<p>The Fund produced a good set of Accounts and working papers in line with the agreed timeframes, and responded promptly to the queries raised during the course of the audit despite the challenges of remote working. The small number of amendments identified in this Report reflect the quality of the draft Accounts prepared by management.</p>
Disclosures	<p>Some minor inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to Appendix D.</p>
Matters on which we report by exception	<p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report was not required to be published until 1 December 2022. Whilst this Report has now been produced, we have yet to complete our audit procedures in this area. We are planning to complete this work imminently and are proposing to issue this separate opinion at this same time as issuing our opinion on the Accounts.</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
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.

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.

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)

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services have been identified:

Service	Fees £	Threats identified	Safeguards
Non-audit Related			
IAS19 procedures for other bodies admitted to the Pension Fund.	8,000	Self-Interest (because this is a recurring fee)	<p>Fee is recurring but not significant compared to the audit of the financial statements, and is fixed based on the number of admitted bodies. Further, the work is on audit related services and integrated with the testing of controls undertaken as part of the audit.</p> <p>The main self interest threat would arise if we reported weaknesses to the Pension Fund TCWG that they then put pressure on GT not to report to other auditors that are seeking to rely on the GT response for request for information. The safeguard to this would be to have a safeguarding partner review the AFR and request for information to confirm all matters where communicated. However we do not anticipate this to be an issue for our work at the Pension Fund.</p>

Appendices

A. Action plan – Audit of Financial Statements

We have identified three 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 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>Incorrect Treatment of Investment Income</p> <p>During our testing of the Fund’s Investment Income, we identified that the income received from two Funds held with the London CIV had not been accounted for an accruals basis, as is required by the CIPFA Code of Practice. This has the effect of potentially understating the income in the Accounts by £762k. This is because management have included balances from January to December 2021, as opposed to the 12 months relating to the financial year, as they have taken a view any differences will be immaterial to the Accounts.</p> <p>We also identified that the Fund had recorded a £893k balance paid to Man Group as negative Investment Income instead of a Management Expense, which again reduces the Income balance shown in the Accounts. Whilst the CIPFA Code is silent on how to account for this balance, our view is it should be shown as an expense, rather than reducing income, which is the decision management have taken. The Fund should ensure all items in the Accounts are recorded on an accruals basis, where appropriate, to provide an accurate assessment of the Fund’s performance.</p>	<p>Ensure all balances in the Accounts, where required by the Code, are recorded on an accruals basis to provide an accurate picture of the Fund’s position at year end, as well as ensuring compliance with the CIPFA Code of Practice.</p> <p>Management response</p> <p>Management acknowledges that investment income is not accounted for on a full accruals basis. However, a full year’s worth of income is always included within the Accounts, based on actuals for the period from January to December. Actual figures are not available in time for the production of the final accounts. Therefore it is suggested that the use of actuals for January to December is far more meaningful and the difference of an immaterial nature. The CIPFA Example Accounts 2020-21 guidance states the following with regard to distributions from pooled funds:</p> <p>“Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.”</p> <p>WCC Pension Fund investments are all pooled and all distributions are recorded within the accounts on the date they are issued.</p>

Controls

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

A. Action plan – Audit of Financial Statements

We have identified three 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 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.


Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>Retention of Pensioners Records</p> <p>During our testing of the Benefits Payable balance included within the Accounts, the Fund has encountered difficulties in providing with sufficient evidence to validate elements of the calculation of the pensions currently in payment. Whilst we have been able to obtain sufficient assurance that the balance in the Accounts is not materially misstated, the Fund should ensure that adequate information is in place to support the pensions currently in payment.</p>	<p>Ensure adequate records are held to support all pensions which are currently in payment to enable any queries/challenges to be dealt with in a timely manner.</p> <p>Management response</p> <p>During the financial year the WCC Pension Fund transitioned administration services from Surrey County Council to Hampshire Pension Services. The Pension Fund employed a Pensions Project Manager to oversee this transition and ensure a smooth transfer of membership data and pension payroll. All membership records were transitioned to Hampshire Pensions Services and are stored within a database as files attached to the members record. Given the differences in process between Surrey County Council and Hampshire, the types of evidence provided and the format of that evidence may differ. However, the Pension Fund is confident that adequate membership records are held for pension scheme members should a query arise.</p>

Controls




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

A. Action plan – Audit of Financial Statements

We have identified three 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 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 Medium	<p>Assurance over Outsourced Administration Function</p> <p>As mentioned elsewhere within the Report, the Fund transferred its Pensions Administration function during the course of the year, with a move taking place from Surrey County Council to Hampshire County Council. Whilst we have been able to obtain sufficient assurance over the transfer of the data, there is a gap in assurance over the operation of the controls within the Pensions Administration function during the course of the year. This is due to Hampshire County Council not commissioning an internal control report which can then be relied on by both the Council and us as external auditors.</p>	<p>Engage with Hampshire CC to ensure adequate assurance can be provided over the outsourced Administration function, both for the Council and for the purposes of our external audit.</p> <p>Management response</p> <p>Management acknowledges that Hampshire Pension Services does not currently provide an equivalent to an Internal Controls Report. However Hampshire are looking to implement this for the new financial year.</p>

Controls

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

B. 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 and disclosure amendments

No adjusted misstatements or disclosure amendments have been identified from the work performed on the 2021-22 Accounts, and thus there is nothing further to document here.

Impact of unadjusted misstatements

The following unadjusted misstatements have been identified from the work performed during the course of the audit. The Audit and Performance Committee are asked to note this and Management's responses as to why these items have not been processed.

Detail	Fund Account £'000	Net Assets Statement £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
<p>Pricing Variance on Level 2 Investments</p> <p>During our pricing testing, we identified a £2.047m variance between the last available price for the Fund's Investment held with Aberdeen, and the quoted price at year end. Whilst we understand this is a timing difference, and has arisen as a result of limitations in our audit procedures in this area, due to the size of the variance we are required to report to management as an unadjusted misstatement.</p>	Dr Change in Market Value 2,047	Cr Investment Assets 2,047	A decrease in Net Assets of £2,047	This difference is due to movements between the transaction date and year end, and thus is not representative of the value at 31 March 2022.
Overall impact	(2,047)	(2,047)	(2,047)	

B. 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 unadjusted misstatements

The following unadjusted misstatements have been identified from the work performed during the course of the audit. The Audit and Performance Committee are asked to note this and Management's responses as to why these items have not been processed.

Detail	Fund Account £'000	Net Assets Statement £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
Variations on Level 3 Investments During our testing of Level 3 Investments we identified three variances between the figures in the Accounts and the Year End Confirmations. These variances totalled £6,378,365 and given their size, the Fund had taken a decision not to amend. These variances have arisen due to additional information being available post year end around the value of these Funds which was not available at the date of accounts preparation. (These again would increase the Net Assets held by the Fund).	Cr Change in Market Value 6,378	Dr Investment Assets 6,378	An increase in Net Assets of £6,378	These movements are immaterial to the Accounts.
Overall impact	6,378	6,378	6,378	

B. 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 unadjusted misstatements

The following unadjusted misstatements have been identified from the work performed during the course of the audit. The Audit and Performance Committee are asked to note this and Management's responses as to why these items have not been processed.

Detail	Fund Account £'000	Net Assets Statement £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
<p>Incomplete Investment Income</p> <p>During our testing of Investment Income, we identified the Fund had included income from the LCIV Global Alpha Growth Fund for the period January 2021 to December 2021, when an element of this should have been included in the PY Accounts. Upon investigating the error further, we identified one further error relating to the incorrect treatment of Investment Income, which effectively means the Income in this year's Accounts is potentially understated by £762,000. This however would be offset by a reduction in the Change in Market Value, and hence would have nil impact on the P&L or Balance Sheet</p>	<p>Dr Change in Market Value 762</p> <p>Cr Investment Income 762</p>	<p>Nil impact on the Net Assets Statement</p>	<p>Nil impact on the total Net Assets</p>	<p>These movements are immaterial to the Accounts.</p>
Overall impact	0	0	0	

B. 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 unadjusted misstatements

The following unadjusted misstatements have been identified from the work performed during the course of the audit. The Audit and Performance Committee are asked to note this and Management's responses as to why these items have not been processed.

Detail	Fund Account £'000	Net Assets Statement £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
Incomplete Investment Income We also identified an issue where a balance paid to Man Group of £893k has been recorded as negative Investment Income, instead of being shown as a Management Expense. Whilst the CIPFA Code is silent on how to account for this balance, our view is it should be shown as an expense, rather than reducing income, which is the decision management have taken. Again this has no impact on the overall value of the Fund, but would affect the presentation of the balances on the face of the Fund Account.	Dr Management Expenses 893 Cr Investment Income 893	Nil impact on the Net Assets Statement	Nil impact on the total Net Assets	These movements are immaterial to the Accounts.
Overall impact	0	0	0	
Total impact of all Unadjusted Misstatements (from previous pages)	4,331	4,331	4,331	

C. Fees

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

These fees agree to Note 22 in the revised Accounts – changes were made from the first draft to ensure consistency with these figures.

Audit fees	Proposed fee	Final fee
Pension Fund Audit	33,000	TBC
Total audit fees (excluding VAT)	£33,000	TBC

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Provision of IAS19 Assurances to Admitted and Scheduled Bodies	8,000	TBC
Total non-audit fees (excluding VAT)	8,000	TBC

In respect of the costs of providing IAS19 Assurances to the Admitted and Scheduled Bodies which have written to us as Auditors of the Pension Fund, we have taken a similar pricing structure to previous years, with a charge of £5,000 for the required controls testing, and a fee of £1,000 per response.

D. Audit opinion – Pension Fund Accounts

Our audit opinion on the Pension Fund 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 ‘Council’) for the year ended 31 March 2022 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 2021/22.

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 2022 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 2021/22; 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 Council 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’s 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 2021/22 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 Council 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 Council, the Executive Director of Finance and Resources and Those Charged with Governance

D. Audit opinion – Pension Fund Accounts

Our audit opinion on the Pension Fund is included below.

We anticipate we will provide the Pension Fund with an **unmodified audit report**.

for the financial statements' section of this report.

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 Council'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 Council 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 Council, 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 the Council 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 Council, 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 2021/22, 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

D. Audit opinion – Pension Fund Accounts

Our audit opinion on the Pension Fund is included below.

We anticipate we will provide the Pension Fund with an **unmodified audit report**.

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 Council'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. 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 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 2021/22, 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 Council'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, internal audit 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:
 - the journals posted by relevant officers during the course of the year, taking into account a range of different criteria to focus our testing on the most risky journals.
- 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 focus on those journals that have been deemed risky via our assessment based on a range of criteria;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments; and

D. Audit opinion – Pension Fund Accounts

Our audit opinion on the Pension Fund is included below.

We anticipate we will provide the Pension Fund with an **unmodified audit report**.

- 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, including the potential for fraud in revenue and expenditure recognition.

- 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 Council's control environment, including the policies and procedures

implemented by the Council 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 Council, 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 Council'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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Joanne Brown, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

xx February 2023

E. Management Letter of Representation – Pension Fund

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

xx February 2023

Dear Sirs

City of Westminster Pension Fund

Financial Statements for the year ended 31 March 2022

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 2022 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 2021/22 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 2021/22 ("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 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.

E. Management Letter of Representation – Pension Fund

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. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xii. We have updated our going concern assessment. We continue to believe that the Fund's 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

xiii. 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.

xiv. We have communicated to you all deficiencies in internal control of which management is aware.

xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvi. 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.

xvii. 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.

xviii. 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.

xix. 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.

xx. 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.

xxi. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

xxii. 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.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

E. Management Letter of Representation – Pension Fund

Approval

The approval of this letter of representation was minuted by the Fund’s Audit and Performance Committee at its meeting on 23 February 2023

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Fund



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