

# The Audit Findings Report City of Westminster Pension Fund

**Year ended 31 March 2023**

November 2023 [For the Audit and  
Performance Committee 28 November  
2023]



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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. Its contents will be discussed with management and the Audit and Performance Committee.

[TO BE SIGNED WHEN FINALISED]

Name: Jo Brown

For Grant Thornton UK LLP

Date: [DATE OF SIGNING ACCOUNTS]

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 2023 for the attention of those charged with governance.

## Financial Statements

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

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

Our audit work was completed remotely during August to November. Our findings are summarised on pages 7 to 12. We have identified no material adjusted differences to the financial statements and therefore the Pension Fund's reported financial position remains unchanged from the published draft financial statements for audit. We have noted two Unadjusted differences and minor disclosure amendments detailed in Appendix B, which reflect the comprehensive set of financial statements produced for audit.

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

- Review of final pension fund accounts and pension fund annual report, in order to ensure consistency. This will include completion of the disclosure checklist.
- Final Engagement Lead and Quality review conclusion
- Receipt of management representation letter
- Confirmation on subsequent events.

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. We will confirm, the pension fund accounts we have audited are the same, in the Council 2022-23 financial statements, and the Pension Fund Annual Report. We issue a consistency opinion in this regard.

Our anticipated opinion on the financial statements will be unqualified.

Whilst our work on the Pension Fund financial statements is substantially complete, we will be unable to issue our final audit opinion on the Pension Fund until the Westminster City Council [Administering Authority] is signed. We anticipate signing both, after the Audit and Performance Committee on 28 November 2023.

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# 1. Headlines

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## National context – audit backlog

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Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. As at 30 September, only 1% of the 2022/23 audits had been concluded and signed. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

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

We would like to thank everyone at the Pension Fund for their support in working with us. The audit and client teams have worked constructively together to resolve any audit queries and complete the audit by the end of November 2023.

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## Local context - triennial valuation

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Triennial valuations for local government pension funds have been published. The triennial valuation undertaken as at 31 March 2022 covers the three financial years to 2025/26. For the Pension Fund, the valuation was undertaken by for and on behalf of Hymans Robertson LLP and showed that the Pension Fund is 128% funded at 31 March 2022. The results of the latest triennial valuation are reflected in Note 16 – Funding Arrangements to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We performed testing of the completeness and accuracy of triennial valuation source data as part of our 2021/22 pension fund audit. This was to support our work by providing assurances to auditors of employer bodies. As part of this work, we tested a sample and found the source data to be complete and accurate. This additional testing is only required after each triennial review, rather than annually.

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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 will be as discussed with Management, and at the Audit and Performance Committee on 28 November 2023.

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.

For the Pension Fund, the Audit and Performance Committee fulfils the role of those charged with governance. There is a separate Pension Committee and Pensions Board which consider the draft financial statements and is part of the overall member oversight process.

### Audit approach

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

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.
- Significant risks - those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:
  - a. Presumed risk of fraud in revenue recognition (rebutted)
  - b. Management override of controls
  - c. Valuation of level 3 investments

We have not had to amend our significant audit risks as set out in our audit plan. We have, however, revised the Fund Account materiality. This was revised down from the 10% of gross expenditure set out in the plan, to 8%. The revision was made at the conclusion of the 2021/22 audit, following findings arising in respect of pension payments instigated pre-2000 and the availability of records. This is reported in 2021-22 Audit Findings report and again, in this findings report. See materiality on page 6 for further details.

### 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 28 November Audit and Performance Committee. These outstanding items include:

- Final Engagement Lead and Quality reviews;
- Receipt of management representation letter; and
- Confirmation of subsequent events.

### 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.

Materiality levels remain the same as reported in our audit plan except for our Fund Account. We have amended this to 8% of expenditure. This has resulted in a decrease in materiality from £8.250 million to £6.623 million.

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

### Pension Fund Amount (£) Qualitative factors considered

Materiality for the financial statements	17,900,000	This benchmark is determined as a percentage of the Net Assets, which has remained at approximately 1%.
Performance materiality	13,425,000	Performance Materiality is based on a percentage of the overall materiality.
Trivial matters	895,000	This balance is set at 5% of overall materiality
Materiality for fund account	6,623,000	This benchmark is determined as a percentage of Fund expenditure, which has been determined at 8%.



## 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></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override 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 undertook the following work:</p> <ul style="list-style-type: none"> <li>▪ evaluated the design effectiveness of management controls over journals</li> <li>▪ analysed the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>▪ identified and tested unusual journals recorded 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 with regard to corroborative evidence</li> <li>▪ evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Our audit work to date has not identified any issues in respect of management override of controls. We are in the process of undertaking a team look back of the journals tested, as part of our quality review.</p>
<p><b>Improper revenue recognition (rebutted)</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.</p>	<p>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 ISA 240 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:</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</li> <li>▪ the culture and ethical frameworks of local authorities, including the Pension Fund, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We, therefore, did not consider this to be a significant risk for the Pension Fund when producing our audit plan.</p> <p>We have reconsidered our original assessment as part of our audit work on the Pension Fund’s financial statements and are satisfied that this rebuttal remains appropriate.</p>

## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of Level 3 Investments (Quarterly revaluation)

By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements of £231m on 31 March 2023 (£106m 31 March 2022). Management utilises the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2023.

We have:

- fund managed 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 at the latest date for individual investments and agreeing these to the manager reports at that date. Reconcile those values to the values at 31 March 2023 with reference to known movements in the intervening period.

During the testing performed, we identified variances totalling £4.814m 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 considering more up to date information relating to the value as at 31 March 2023 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. This is consistent with prior year, due to timing of the statements and the production of the accounts.

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



## 2. Financial Statements: Other risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of Level 2 Investments

While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.

We therefore identified the valuation of the Fund's Level 2 investments as a risk of material misstatement.

We:

- gained an understanding of the Fund's process for valuing Level 2 investments and evaluated the design of the associated controls;
- reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments;
- reviewed the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records and seek explanations for variances;
- independently requested year-end confirmations from investment managers and custodian; and
- reviewed investment manager service auditor report on design effectiveness of internal controls.

Our audit work did not identify any issues in respect of the valuation of Level 2 investments.

#### Contributions

Contributions from employers and employees' represents a significant percentage of the Fund's revenue. We therefore identified the completeness and accuracy of the transfer of contributions as a risk of material misstatement.

We:

- evaluated the Fund's accounting policy for recognition of contributions for appropriateness;
- gained an understanding of the Fund's system for accounting for contribution income and evaluate the design effectiveness of the associated controls;
- tested a sample of contributions to source data to gain assurance over their accuracy and occurrence; and
- tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained.

Our audit work did not identify any issues in respect of Contributions.

#### Pension Benefits Payable

Pension benefits payable represents a significant percentage of the Fund's expenditure. We therefore identified the completeness, accuracy and occurrence of the transfer of pension benefits payable as a risk of material misstatement.

We:

- evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;
- gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls;
- tested a sample of lump sums and associated individual pensions in payment by reference to member files; and
- tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.

As noted in our 2021/22 Audit Findings Report, we are unable to confirm the completeness and accuracy of payments made to pensioners in payment before April 2000, when the fund introduced electronic scanning of documents. This leads us to record an unadjusted uncertainty in benefits payable (see page 11). Our audit work did not identify any other issues.

## 2. Financial Statements: Other risks

### Risks identified in our Audit Plan

### Commentary

#### Actuarial Present Value of Promised Retirement Benefits

The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements.

The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (£2.5 billion) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as a risk of material misstatement.

We:

- updated our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation;
- assessed the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability;
- tested the consistency of disclosures with the actuarial report from the actuary; and
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Our audit work did not identify any issues in respect of the Actuarial Present Value of Promised Retirement Benefits.

#### Actuarial valuation of the Fund as at 31 March 2022

The Actuarial valuation of the Fund as at 31 March 2022 (the triennial valuation) will be disclosed within the 2022-23 financial statements as a disclosure note.

The valuation of the Fund as at 31 March 2022 is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Fund as a risk of material misstatement.

We:

- updated our understanding of the processes and controls put in place by management to ensure that the Fund's triennial valuation is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation;
- assessed the accuracy and completeness of the information provided by the Fund to the actuary to estimate the triennial valuation;
- tested the consistency of disclosures with the March 2022 valuation report from the actuary; and
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Our audit work did not identify any issues in respect of the actuarial valuation of the Fund as at 31 March 2022.

## 2. Financial Statements – other risks

Issue	Commentary	Auditor view
<p><b>Records for Existing Pensioners</b></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. The issue, as identified and reported in prior year, is in respect of pensions, pre April 2000.</p>	<p>We have raised a recommendation for management in respect of this area, which has been documented within Appendix A.</p> <p>Following the resolution of outstanding testing in this area, we identified an uncertainty in respect of pensions in payment from before April 2000, which was when the Fund introduced the electronic scanning of documents received from Pensioners. The value of this uncertainty at 31 March 2023 is £11.1m (£11.3m as at 31 March 2022), albeit the risk of the Benefits Payable balance being incorrect by even a significant element of this balance is very low due to the nature of the issues identified.</p> <p>We believe the risk of a material misstatement to be low due to:</p> <ul style="list-style-type: none"> <li>• Existing checks within the pension fund over the legitimacy of pension payments</li> <li>• National Fraud Initiative checks, that would confirm the death of a pensioner</li> <li>• The passage of time, meaning a reducing number of payments will be being made 23 years later</li> </ul>

## 2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments (£231.6m)	<p>The Pension Fund holds investments in Pantheon Pooled infrastructure investments totalling £63.7m at 31 March 2023.</p> <p>The Pension Fund also holds an investment in Quinbrook and Macquarie Renewable Infrastructure Funds totalling £56.9 and £28.3 m respectively at 31 March 2023.</p> <p>The Pension Fund also holds investments with the Man Group affordable housing fund totalling £37.9m and with CVC credit fund totalling £44.7m</p> <p>All of 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><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 and environmental services as well as aerospace and defence, healthcare, technology, information technology, and other government industries.</li> <li>We have reviewed the Pantheon audited accounts as at 31 December 2022, which received an unmodified audit report.</li> <li>We have compared the audited financial statements as at 31 December 2022 with the capital statement at the same date which identified differences of £1.85m (overstatement). As this is an estimation uncertainty that is below our materiality levels, no further reporting is required, and we have assurance that the estimation techniques are appropriate.</li> </ul> <p><b>Macquarie Renewable Infrastructure</b></p> <ul style="list-style-type: none"> <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 audited financial statements of Macquarie as at 31 December 2022, which received an unmodified audit report.</li> <li>We have compared the audited financial statements as at 31 December 2022 with the capital statement at the same date which identified differences of £1.68m (understatement) for Macquarie. As this is an estimation uncertainty that is below our materiality levels, no further reporting is required, and we have assurance that the estimation techniques are appropriate.</li> </ul> <p>Review of other investment fund accounts identified trivial differences, which have not been reported here.</p> <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>● [Light Purple]</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: key judgements and estimates

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









Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments (£1,770.5m)	<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 our understanding.</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 identified differences between the last available price for the Fund's Investment held with two funds and the quoted price at year-end. Investment in the Legal &amp; General Global Equity fund had an identified difference of £3.1m and investment in the Aberdeen Standard Pooled property fund had an identified difference of £1.1m. These differences overstate the assets detailed in the pension fund accounts. Refer Appendix B.</p> <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>● [Light Purple]</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: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	ITGC control area rating				Related significant risks/other risks
		Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	
SAP	ITGC assessment (design and implementation effectiveness only)					None identified
Civica UPM (Provided by HCC)	ITGC assessment (design and implementation effectiveness only)					None identified although as raised in prior year we have recommended the need for a service auditors report [see recommendations]

### Assessment

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

## 2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
<b>Matters in relation to fraud</b>	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.
<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 appended to this Report.
<b>Audit evidence and explanations</b>	The client provided a comprehensive set of Pension Fund Financial Statements and were responsive to audit queries raised. All information and explanations requested from management was provided.
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to all of the Pension Fund Investment Managers. This permission was granted and all of 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. A review of the disclosure checklist is ongoing as per the outstanding item list.

## 2. Financial Statements: other communication requirements



### Our responsibility

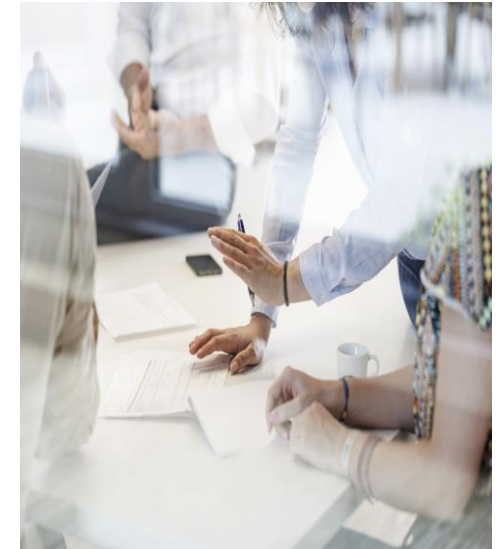
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
<p data-bbox="506 416 705 448">Going concern</p>	<p data-bbox="728 416 2110 576">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 data-bbox="728 584 2110 655">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="728 663 2110 935" style="list-style-type: none"> <li data-bbox="728 663 2110 855">• 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 data-bbox="728 863 2110 935">• 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 data-bbox="728 943 2110 1102">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 data-bbox="728 1110 2110 1278" style="list-style-type: none"> <li data-bbox="728 1110 2110 1150">• the nature of the Pension Fund and the environment in which it operates</li> <li data-bbox="728 1158 2110 1198">• the Pension Fund’s financial reporting framework</li> <li data-bbox="728 1206 2110 1246">• the Pension Fund’s system of internal control for identifying events or conditions relevant to going concern</li> <li data-bbox="728 1254 2110 1278">• management’s going concern assessment.</li> </ul> <p data-bbox="728 1286 2110 1326">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="728 1334 2110 1437" style="list-style-type: none"> <li data-bbox="728 1334 2110 1374">• a material uncertainty related to going concern has not been identified</li> <li data-bbox="728 1382 2110 1437">• 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>Other information</b>	<p>The Pension Fund is administered by City of Westminster Pension Fund (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified.</p>
<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> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p>



# 3. Independence and ethics

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

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers).

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

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

Details of fees charged are detailed in Appendix E.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

# 3. Independence and ethics

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

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Audit Adjustments
- C. Fees and non-audit services
- D. Progress against prior year audit recommendation
- E. Management Letter of Representation
- F. Draft audit opinion
- G. Auditing developments

# A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

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

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings Report

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

# B. 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 2022-23 Accounts, and thus there is nothing further to document here.

## Impact of identified unadjusted uncertainties

The following unadjusted misstatements have been identified from the work performed during 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
<b>Variations on Level 3 Investments</b> During our testing of Level 3 Investments, we identified variances between the figures in the Accounts and the Year End Confirmations. These variances totalled <b>£4.814million</b> 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 4,814	Dr Investment Assets 4,814	An increase in Net Assets of £4,814	These movements are immaterial to the Accounts.
<b>Overall impact</b>	<b>4,814</b>	<b>4,814</b>	<b>4,814</b>	

## 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 uncertainty

The following unadjusted uncertainty has 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 this item has not generated an amendment to the Accounts.

Detail	Fund Account £'000	Net Assets Statement £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
<p><b>Pricing Variance on Level 2 Investments</b></p> <p>During our pricing testing, we identified a <b>£4.2m</b> 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 because 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 4,200	Cr Investment Assets 4,200	A decrease in Net Assets of 4,200	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.
<b>Overall impact</b>	<b>(4,200)</b>	<b>(4,200)</b>	<b>(4,200)</b>	

## 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 uncertainty

The following unadjusted uncertainty has 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 this item has not generated an amendment to the Accounts.

Detail	Fund Account £'000	Net Assets Statement £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
<b>Incomplete Pensioner Records</b> Following the resolution of outstanding testing in this area, we identified an uncertainty in respect of pensions in payment from before April 2000, which was when the Fund introduced the electronic scanning of documents received from Pensioners. The value of this uncertainty is <b>£11.1m</b> , albeit the risk of the Benefits Payable balance being incorrect by even a significant element of this balance is very low due to the nature of the issues identified. Also if any of these payments were found to have been incorrect, then these could be potentially recovered by the Fund.	Dr Change in Market Value 11,100  Cr Benefits 11,100	Nil impact on the Net Assets Statement	Nil impact on the total Net Assets	The errors identified are not representative of the wider population.
<b>Overall impact</b>	<b>0</b>	<b>0</b>	<b>0</b>	



# C. Fees and non-audit services

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

## Audit Fees

	Actual Fee 2020/21	Proposed fee 2022/23
City of Westminster Pension Fund Audit fees (excluding VAT)	£48,000	£TBC

## Audit fees

## Estimated fee(£)

Scale fee per PSAA for 2022-23	22,420
Investment valuation	5,036
ISA 540	3,600
ISA 315	3,000
Additional journals testing	2,000
Additional Fees	XXX
<b>Estimated fee</b>	<b>TBC ON CONCLUSION OF THE AUDIT</b>

# D. Progress against prior year audit recommendation

We identified the following issue in our 2021/22 audit of the Pension Fund's financial statements, which resulted in one recommendations being reported in our 2021/22 Audit Findings Report; and re-issued in this report as part of the 22/23 audit

Assessment	Issue and risk previously communicated	Management Response and Conclusion Status
<p>● Medium</p>	<p><b>Incorrect Treatment of Investment Income</b> 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><b>Management Response:</b> As per the 21-22 management response, management acknowledges that investment income is not accounted for on a full accrual's basis. However, a full year's worth of income is always included within the Accounts, based on actuals for the period from 1 January to 31 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 is of an immaterial nature. The most recent CIPFA Example Accounts for 2020-21 guidance states the following with regard to distributions from pooled funds: "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." WCC Pension Fund investments are all pooled and all distributions are recorded within the accounts on the date they are issued</p> <p><b>Conclusion Status :</b> Completed</p>
<p>● Medium</p>	<p><b>Retention of Pensioners Records</b> 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><b>Management Response:</b> Hampshire Pension Services (HPS) retains copies of all pension documents related to interactions that HPS has with members. HPS has records of prior document images that WCC transferred from the previous administrator and these records go back to the early 2000s. What the Fund does not have in full will be documents that relate to some retirements back in the 1990s or prior to this, as these records were held on microfiche, and it was not practical to move every image onto the scanned archive store. The Fund will ask HPS to retain all document images generated going forward for anyone with a pension in payment but cannot recreate documents not currently available.</p> <p><b>Conclusion Status :</b> Complete. We have marked this as complete as although a similar issue has arisen in 22-23, given the age of the records then the potential risk will need to be tolerated, and over time will reduce.</p>

# D. Progress against prior year audit recommendation

We identified the following issue in our 2021/22 audit of the Pension Fund's financial statements, which resulted in one recommendations being reported in our 2021/22 Audit Findings Report; and re-issued in this report as part of the 22/23 audit

Assessment	Issue and risk previously communicated	Management Response
<p>● Medium</p>	<p><b>Assurance over Outsourced Administration Function</b> 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><b>Management Response:</b> The Fund receives monthly partnership reports from Hampshire Pension Services (HPS) that set out details of the administration service in that month. The report includes detailed administration KPIs and updates on work on hold so we know what work we have pending. We are pleased to note that our KPIs remain 100% every month and that the work pending remains approximately one month's worth of cases. We have since gone live, with HPS effectively cleared a backlog of administration cases and have improved our relationship with all our fund employers to such an extent that over 99% of annual benefit statements have been sent out for 22/23. We are satisfied with our administrator's performance on behalf of the Pension Fund.</p> <p>WCC has explored with HPS getting a third-party assurance report on its service. However, the cost for this is significant and for HPS to commit to this they would want all partners, who use the administration service, to agree to fund it, not just WCC. If we are advised in detail as to what our auditor would want a third party to cover in their testing, and if the Fund is provided with assurances that this report would be taken into account with reduced auditor testing for the Fund, then we will discuss with HPS. Now we cannot commit to this as we need to be clear on both the cost and the benefits to the Fund and members. We also need to engage with HPS and its other partners to embed a unified approach to pension fund auditing of administration services. WCC is happy to review with the external auditor providing detailed criteria reference a third-party assurance report.</p> <p><b>Conclusion Status :</b> In Progress</p> <p>This remains an issue within the 2022-23 audit. We will follow up with management what we believe would be required. Given this is in progress and being actively discussed with management we have not repeated the recommendation in the 2022-23 Action plan.</p>

## Controls

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

# E. Management Letter of Representation

Dear Sirs

**City of Westminster Pension Fund**  
**Financial Statements for the year ended 31 March 2023**

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 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/23 ("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 [...]. 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 disclosure 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 differences in estimates for Level 2 and Level 3 investments 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.

# E. Management Letter of Representation

- 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 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 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.
- xxii. 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

**Approval**

The approval of this letter of representation was minuted by the Fund's Audit and Performance Committee at its meeting on 28 November 2023.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Fund**

# F. Draft 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 on financial statements

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 2023, 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 2022/23.

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 2023 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 2022/23; 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 2022/23 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 2022) 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.

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.

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.

Our responsibilities and the responsibilities of the Executive Director of Finance and Resources' with respect to going concern are described in the relevant sections of this report.

# F. Draft Audit opinion

## Other information

The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. The Executive Director of Finance and Resources' is responsible for the other information. Our opinion on the 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge 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 financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matters 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, the other information published together with the Pension Fund's financial statements in the Statement of Accounts and the Annual Governance Statement 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 and the Executive Director of Finance and Resources

As explained more fully in the Statement of Responsibilities for the Statement of Accounts as set out on page 30, 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 2022/23, 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 they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.



# F. Draft Audit opinion

## 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Services 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, internal audit 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, 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
- 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. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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.

# F. Draft Audit opinion

Our 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.
- 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.

## 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 44 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.

Joanne Brown, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

**Date**

# G. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

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

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

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

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

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

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

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