

# The Audit Findings Report for Brent Pension Fund

**Year ended 31 March 2023**

12 October 2023



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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Standards Committee.

[Insert Key Audit Partner Signature]

Name: Ciaran McLaughlin  
For Grant Thornton UK LLP  
Date: 19 September 2023

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

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Brent 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.

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## Financial Statements

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

- the Pension Fund's financial statements give a true and fair view of the financial 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 July-September. Our findings are summarised on pages 5 to 19. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Pension Fund's reported financial position. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

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

- Review of investments work
- Subsequent event confirmation
- Receipt of management representation letter ; and
- Review of the final set of financial statements

Our anticipated opinion on the financial statements will be unmodified

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. As documented above we have not received the Annual Report. . We propose to issue our 'consistency' opinion on the Pension Funds Annual Report on 12 October 2023

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# 1. Headlines

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## National context – audit backlog

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

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

We would like to thank everyone at the Pension Fund for their support in working with us to provide responses to our audit queries in a timely manner. The Pension Fund team worked constructively with the audit team to ensure that audit queries were resolved on time in most cases. There was clear and open communication between the audit team and the Pension Fund Officers which ensured that the audit process went smoothly most of the time.

There was a new pension administration system change from Altaire to Civica which management did not make us aware of until we started the audit. As such we did not factor the audit work on new system implementation into our budget. We experienced delays with obtaining information which we requested for our audit work on the new system transfer from the Local Pensions Partnership Administration (LPPA). There were also delays with getting evidence for the samples which we selected for our triennial valuation test and IAS 19 test.

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## Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Hyman Robertson, and showed that the Fund's assets, as at 31 March 2022, were sufficient to meet 87% of the liabilities (i.e. The present value of promised retirement benefits) accrued up to that date. This was a significant increase on the 78% funding level as at the March 2019 valuation. Following the 2022 triennial valuation, the Employer's contributions for the period to 31 March 2024 are estimated to be approximately £41.6m. The deficit recovery period is 20 years. Contributions will remain at 33.5% of pensionable pay in 2023/24. The results of the latest triennial valuation are reflected in note 35 to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample 28. We identified one deferred sample whose status on the system showed as 'preserved refund' instead of deferred. We also identified one deferred pensioner who should have been classified as a pensioner however due to late processing his status was shown as a deferred member.

There was 1 dependent sample which the pension fund could not find the original record with name of the spouse for whom the dependant claim was based on as it the data might have been archived.

We did not identify any issues in our testing apart from the above. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

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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 discussed with management and the Audit and Standards Committee.

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

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

### Audit approach

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

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

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved as detailed on page 3, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 26 September 2023.

#### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the pension fund team and other staff. During the audit, both your pension fund team and our audit team faced audit challenges again this year, such as remote access working arrangements i.e. remote accessing financial systems, video calling, verifying the completeness and accuracy of information provided remotely produced by the entity, cover for sickness absence and access to key data from Pension Fund staff.

As documented on page 4, we were not aware of the system change until we started the final accounts audit and such the work in relation to the new system implementation was not budgeted for and factored into our fees. We also experienced delays in obtaining evidence for the testing of triennial valuation and IAS 19 data as summarised on page 34. **The investment work took longer than planned for as it took long to obtain confirmations from some fund managers. With regards to purchases and sales of investments, our work took longer as the fund manager evidence did not reconcile clearly to the Pension fund's working paper. See appendix E for the impact of the delays on the audit fees.**



# 2. Financial Statements



## Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan on 18 July 2023

## Pension Fund Amount (£) Qualitative factors considered

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	16,800,000	This represents 1.5% of net assets
Performance materiality	12,600,000	This represents 75% of materiality for financial statements
Trivial matters	840,000	This is 5% of overall financial statement materiality.
Materiality for fund account	4,700,000	This represents 8% of total gross expenditure.



## 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 over-ride of controls is present in all entities. The Pension Fund faces external scrutiny of its spreading and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.</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 for the Pension Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals.</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals.</li> <li>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 made 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>From our journal testing, we identified one journal which had a wrong journal number assigned to it. There were 2 journals posted with the same journal number. This was due to human error as the two journals were posted by the same person.</p> <p>The person who posted the journals forgot to change the journal number for one of the journals. We have checked and ensured that there was appropriate and separate approval for both journals with the identical numbers, and we are satisfied that the accounting has not been affected because of this error. We have recorded this as a control point on the action plan at appendix B.</p> <p>Our work on journals is complete. Apart from the point raised above, our work has not identified any issues in respect of management override of controls.</p>

## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of Level 3 investments

You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet 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 (PY: £101.3m) and the sensitivity of this estimate to changes in key assumptions.

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

Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023.

We therefore have identified Valuation of Level 3 Investments as a significant risk.

We have:

- evaluated management's processes for valuing Level 3 investments.
- 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.
- Independently request year-end confirmations from investment managers and the custodian (Northern Trust).
- tested the valuation of a sample of investments by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports as at that date. We have reconciled those values to the values at 31 March 2023 with reference to known movements in the intervening period.
- evaluated the completeness, capabilities and objectivity of the valuation expert in the absence of available audited accounts.
- reviewed investment manager service auditor report on design and operating effectiveness of internal controls where available.

Our work on level 3 investments is complete.

We identified from our purchases and sales testing that the sales figures for several Level 3 investments have been understated per our review of the fund manager reports. The net variance between the sales figures per fund manager confirmation and the figures disclosed in the accounts is £6m. The reason for this is that some of the sales figure have been recorded as gains in the accounts. There is an understatement of investment sales of £6m and an overstatement of gains of £6m. The variance of £6m is made up of investments held in Capital Dynamics and Alinda funds, with the biggest variance of £4.4M relating to Alinda III investment.

We have recoded this as an unadjusted error at appendix B.

Our work has not identified any other issues apart from the above which we need to bring to the attention of the Audit and Standards Committee.



## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

### Commentary

#### The implementation of the Pensions Administration System

In November 2022, Brent Pension Fund moved its Pensions Administration function from the Altair System to the UPM System.

As ever with a system transfer, there is a risk over the completeness and accuracy of balances transferred between the systems and ensuring this correctly feeds the accounts at year end.

The system change impacts benefits payable and contributions which are material balances in the accounts as they are contributed by members.

Thus, we have identified a significant risk in this area over the completeness and accuracy of the transfer between the systems.

We have

- obtained an understanding of the processes and controls put in place by management to ensure the completeness and accuracy of the transfer of data between the old and new Pensions Administration System;
- reviewed the checks undertaken by management over the data transfer to assure themselves over the completeness and accuracy of the transfer;
- Carried out testing to check that all members have been correctly transferred from Altair to Civica

Our audit work has not identified any issues in respect of the implementation of the new pensions administration system.

## 2. Financial Statements: Other risks

### Risks identified

#### Local Government Pension Scheme triennial valuation

Regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023.

The LGPS is a complex pension scheme with numerous participants, investment portfolios, and various financial and actuarial assumptions. The valuation process involves assessing the fund's assets and liabilities, projecting future cash flows, and making assumptions about investment returns, inflation rates, life expectancies, and other variables.

### Commentary

We have:

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

From our testing of 28 samples, we identified one deferred sample whose status on the system showed as 'preserved refund' instead of deferred. We also identified one sample which the member has been classified as deferred instead of a pensioner. There was 1 dependent sample which the pension fund could not find the original record with name of the spouse for whom the dependant claim was based on as the data might have been archived.

Our work on triennial valuation is complete . Apart from the points noted above, our audit work has not identified any issues in respect of Local Government Pension Scheme triennial valuation

## 2. Financial Statements: new issues and risks

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

Issue	Commentary	Auditor view
<p><b>IT Control deficiencies</b></p> <p>The IT audit team have carried out a design and implementation effectiveness controls review over the Council's IT environment for Oracle Cloud to support the financial statement audit of the London Borough of Brent and its subsidiaries for year ended 31 March 2023.</p> <p>The overall rating was significant deficiencies in the in the IT controls relevant to the financial statements.</p>	<p>The IT Audit team have;</p> <ul style="list-style-type: none"> <li>• evaluated the design and implementation effectiveness for security management, change management and batch scheduling controls;</li> <li>• performed high level walkthroughs, inspected supporting documentation and analysed configurable controls in the above areas;</li> <li>• completed a detailed technical review of Oracle Cloud as relevant to the financial statements audit; and</li> <li>• documented the test results and provided evidence of the findings to the IT team for remediation actions where necessary.</li> </ul> <p>The IT audit work identified 2 significant deficiencies, 1 deficiency and 1 improvement opportunity .</p> <p>The significant deficiencies identified are:</p> <ul style="list-style-type: none"> <li>• segregation of duties conflicts between finance / payroll and system administration roles in Oracle Cloud.</li> <li>• Excessive access assigned to HR and Payroll users.</li> </ul> <p>We have detailed the findings from the IT audit and recommendations made by the IT audit team on the action plan at appendix B.</p>	<p>We have considered the findings by the IT audit team and factored procedures in our journal testing to check if any of the deficiencies identified has any impact on the audit.</p> <p>We did not identify any issues which showed that the IT deficiencies have any impact on journals posted or on the financial statements.</p> <p>Management has provided responses to the recommendations made by the IT audit team for each of the deficiencies. We have recorded the management responses against the control points which we have raised for the deficiencies on the action plan at Appendix C</p>

## 2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £115.7m	<p>The Pension Fund has Level 3 investments in private equity, infrastructure and private debt which in total are valued on the net assets statement as at 31 March 2023 at £115.7m.</p> <p>The management has flagged estimation uncertainty in relation to private equity/infrastructure/private debt investments in that there is a risk that this investment may be under- or overstated in the accounts. This is because such investments are valued on the latest available information, as the exact value of the investment as of 31st of March 2023 might not yet be available at the time of the compilation of the accounts. The management therefore uses the custodian as their expert, as Northern Trust will adjust the fund managers' valuations to account for cash-flows in the intervening period.</p> <p>These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management uses the custodian report provided at the year-end by Northern Trust.</p> <p>The investment valuations are supported by audited accounts.</p> <p>Service auditor reports were also obtained and considered as part of our testing.</p> <p>The value of the investment has increased by £14.4m in 2022/23.</p>	<p>From the procedures undertaken, we have</p> <ul style="list-style-type: none"> <li>deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments.</li> <li>assessed management's expert (the fund managers and the custodian which is Northern Trust)</li> <li>obtained latest audited accounts and reviewed cash flow movements to 31 March 2023.</li> <li>checked the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Impact of any changes to valuation method</li> <li>reviewed the results of service auditor reports</li> <li>checked the reasonableness of the increase in level 3 investments</li> <li>checked the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>Our work in relation to this key estimate – Valuation of Level 3 investments is nearing completion, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.</p>	TBC

### Assessment

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

## 2. Financial Statements: key judgements and estimates





Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Level 2 Investments – £972.9m</b>	<p>The Pension Fund has Level 2 pooled investments and pooled property investments which in total are valued on the net assets statement as at 31 March 2023 at £972.9m.</p> <p>Management has not flagged any estimation uncertainty in relation to Level 2 investments.</p> <p>The investments are not traded on an open exchange/market and the valuation of the investment is subjective.</p> <p>The Pension Fund obtains valuations from the fund manager and custodian to ensure that valuations are materially fairly stated.</p> <p>The value of the investment has decreased by £29.4m in 2022/23.</p>	<p>From the procedures undertaken, we have</p> <ul style="list-style-type: none"> <li>deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments.</li> <li>assessed management's expert (the fund managers and the custodian which is Northern Trust)</li> <li>obtained latest audited accounts and reviewed cash flow movements to 31 March 2023.</li> <li>checked the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Impact of any changes to valuation method</li> <li>reviewed the results of service auditor reports</li> <li>checked the reasonableness of the increase in level 3 investments</li> <li>checked the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>Our work in relation to this key estimate – Valuation of Level 2 investments is nearing completion, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.</p>	TBC

### Assessment





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

# 2. Financial Statements: Information Technology

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

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating				Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure			
Oracle	ITGC assessment (design and implementation on effectiveness only)					Management Override of Control	We have carried out targeted test as part of journal testing to address the risks identified.	
				Not covered as there has been no acquisition of this IT system in the current year. There is no impact on our audit because of this control not being tested.	Not covered as there has been no batch scheduling for IT to test. There is no impact on our audit because of this control not being tested.			

**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: Information Technology

We also performed specific procedures in relation to the significant event during the audit period, specifically the new system implementation

IT system	Event	Result	Related significant risks/ risk/observations
Altair and Civica UPM	New system implementation	Our testing to date has not identified any significant deficiency. We checked the reconciliation carried out during the system implementation to ensure that membership ship data was correctly transferred from Altair to Civica. Our testing has not highlighted any issues.	<p><b>The implementation of the Pensions Administration System</b></p> <p>As ever with a system transfer, there is a risk over the completeness and accuracy of balances transferred between the systems and ensuring this correctly feeds the accounts at year end.</p> <p>Our sample testing of individual member data transferred from Altair to Civica confirmed that the data for each sample was correctly transferred.</p> <p>Our testing did not identify any differences between the two systems for membership numbers.</p>

### Assessment

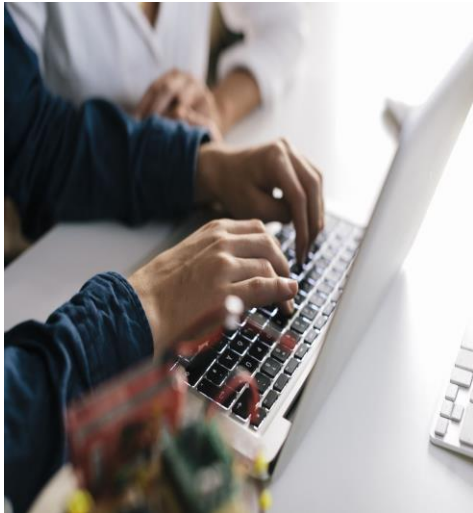
- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant 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 Standards 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 included in the Audit and Standards Committee papers  Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for Level 3 and level 2 investments
<b>Audit evidence and explanations</b>	All information and explanations requested from management was provided. We experienced delays with: <ul style="list-style-type: none"> <li>• obtaining information from LPPA to carry out our audit work on the new system transfer</li> <li>• getting evidence for the samples which we selected for our triennial valuation testing and IAS 19 test.</li> </ul>

## 2. Financial Statements: other communication requirements



Issue	Commentary
<b>Confirmation requests from third parties</b>	<p>We requested from management permission to send confirmation requests to fund managers. This permission was granted, and the requests were sent. We have received all requests other than confirmation from Alinda for level 3 investments and confirmation from Natwest for level 1 investments.</p> <p>We requested management to send letters to those solicitors who worked with the Pension Fund during the year. As at 19 September a reply has only been received from all other than the following solicitors;</p> <ul style="list-style-type: none"> <li>• Bevan Brittan</li> <li>• Ashfords</li> <li>• Judge Priestley</li> </ul> <p>We have requested management to follow up the outstanding responses.</p>
<b>Accounting practices</b>	<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>

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

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

Issue	Commentary
<b>Other information</b>	<p>The Pension Fund is administered by the London Borough of Brent (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.</p> <p>This work is outstanding.</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 Fund's Annual Report if the Pension fund provides us with the annual report before we issue our audit opinion.</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>



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# 3. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix E.

## Transparency

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



# 3. Independence and ethics

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

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

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

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments

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

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

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

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

## Respective responsibilities

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

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

## Distribution of this Audit Findings Report

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

## B. Action Plan – Audit of Financial Statements

We have identified 7 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	<p>From our benefits payable testing, for 7 out of the 34 samples which we tested, the Pension fund could not provide us with the original notification letters which shows the annual pension. The Pension Fund explained to us that the reason for this is that some of them letters have not been sent to the by the previous administrators of the claimant pension fund if they transferred across or they original letter of notification date back to several years ago and they have been archived. The pension fund provided more recent notifications which sets out the annual pension.</p> <p>Risk</p> <p>Without the original notification letter which supports that the original annual pension is correct, it is difficult to know whether the amount in the more recent annual pension letters is correct or not. The benefits being paid could be more or less than what the pensioners are entitled to.</p>	<p>Management should aim to have a record of the original notification letter which sets out what the annual pension should be for pensioners .</p> <p><b>Management response</b></p> <p>The pension fund regularly reviews it's data and will consider what steps it can take to address this finding.</p>

### Controls

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

# B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	<p><b>Excessive access assigned to HR and Payroll users.</b></p> <p>IT Audit identified 19 members of the Payroll, Learning and Development, and Training teams have been assigned access to the Brent HCM Application Administrator security role</p> <p>The Council informed our IT team that the role is required to enable system configuration to be undertaken as part of this team, such as for pay awards and performance enrolments.</p> <p>The Brent HCM Application Administrator role provides these individuals with significant levels of access, enabling them to alter system behaviour and create workers in Oracle Cloud</p> <p><b>Risk</b></p> <p>Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters</p>	<p>It is recommended that the Council undertake a full review of all users who have been assigned access to the Brent HCM Application Administrator role and revoke access to those system administration roles which do not align with the user's roles and responsibilities.</p> <p>Should some elements of the role be required for the users concerned, management should consider the creation of a custom role that encompasses only the access required.</p> <p><b>Management response</b></p> <p>The Brent HCM Application Administrator role has now been removed from the Payroll, Learning and Development, and Training teams and a full review was undertaken to ensure no system administration roles were assigned to user's roles which do not align with the user's roles and responsibilities</p>
High	<p><b>Segregation of duties (SoD) conflicts between finance / payroll and system administration roles in Oracle Cloud.</b></p> <p>IT Audit's identified that a Senior Finance Analyst had access to the Application Implementation Consultant role</p> <p><b>Risk</b></p> <p>Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters</p>	<p>It is recommended that the Council undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities</p> <p><b>Management response</b></p> <p>This was removed and a full review was undertaken to ensure no system administration roles were assigned to user's roles which do not align with the user's roles and responsibilities</p>

## Controls

- High – Significant effect on financial statements
  - Medium – Limited Effect on financial statements
  - Low – Best practice
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# B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	<p><b>Seeded roles with SoD conflicts</b></p> <p>IT Audit identified that the Council has cloned seeded roles provided by Oracle for use in day to day operations. Of these cloned seeded roles, it was identified that the Brent Collections Debt Manager (as well as the seeded Collections Manager role) contain the following privileges which allow a user to alter system behaviour and security</p> <ul style="list-style-type: none"> <li>- FND_APP_MANAGE_DATA_SECURITY_POLICY_PRIV</li> <li>- FND_APP_MANAGE_PROFILE_OPTION_PRIV</li> <li>- FND_APP_MANAGE_PROFILE_CATEGORY_PRIV</li> <li>- FND_APP_MANAGE_TAXONOMY_PRIV</li> <li>- FND_APP_MANAGE_DATABASE_RESOURCE_PRIV</li> </ul> <p><b>Risk</b></p> <p>Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.</p>	<p>It is recommended that the Council undertake a full review of the identified security roles to identify whether the privileges can be removed from users in the production environment to reduce the risk of unauthorised changes to system behaviour</p> <p><b>Management response</b></p> <p>We have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role</p> <p>Subsequent to IT Audit's review, they confirmed that Council have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role</p>

## Controls

- High – Significant effect on financial statements
  - Medium – Limited Effect on financial statements
  - Low – Best practice
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# B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
<p><b>Low</b></p>	<p>From our journal testing, we identified one journal which had a wrong journal number assigned to it. There were 2 journals posted with the same journal number. This was due to human error as the two journals were posted by the same person.</p> <p>The person who posted the journals forgot to change the journal number for one of the journals. We have checked and ensured that there was appropriate and separate approval for both journals with the identical numbers, and we are satisfied that the accounting has not been affected because of this error.</p> <p><b>Risk</b></p> <p>This finding indicates that there is currently nothing in the system to prevent journals being posted with an identical journal number (lack of preventative controls), which increases the risk of error occurring and can result in journal duplications.</p>	<p>Management should put in place a control/ procedure/checks which will prevent more than one journal from being posted with the same journal number.</p> <p><b>Management response</b></p> <p>Management will look to ensure that all staff are aware of the procedures to make sure this is not repeated.</p>

## Controls

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

## B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	<p><b>Lack of audit logging for configurations in Oracle Cloud</b></p> <p>IT Audit note that the Council have implemented audit logging for some areas however, this does not include key system configurations such as the AP_SYSTEM_PARAMETERS_ALL table.</p> <p><b>Risk</b></p> <p>Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database.</p>	<p>It is recommended that the Council implement audit logging for changes made to Oracle Cloud, such as changes to workflow approval rules or system configurations, for financially critical areas including, but not limited to:</p> <ul style="list-style-type: none"> <li>• Accounts Payable</li> <li>• Cash Management</li> <li>• Accounts Receivable and</li> <li>• General Ledger</li> </ul> <p>It should be noted that audit logging does not have a significant detrimental effect on system performance such as that experienced in Oracle EBS</p> <p><b>Management response</b></p> <p>Audit logging has been reviewed across all financially critical areas and has been found to be sufficient</p>
Low	<p>Following our hot review, we challenged management about the currency risk disclosure as to why the currency risk disclosure in the financial instruments note was not analysed by currency. Whilst this is not a requirement in the CIPFA code, the disclosure will be clearer to the readers of the financial statements if it is analysed by currency. This is a best practice recommendation.</p>	<p>We recommend that management analyse the currency risk disclosure by currency to ensure that it is clear to the readers of the financial statements.</p> <p><b>Management response</b></p> <p>Management will consider the disclosure by currency for the 2023/24 accounts.</p>

### Controls

- High – Significant effect on financial statements
  - Medium – Limited Effect on financial statements
  - Low – Best practice
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# C. Follow up of prior year recommendations

We identified the following issues in the audit of Brent Pension Fund's 2021/22 financial statements, which resulted in 4 recommendations being reported in our 2021/22 Audit Findings Report. We are pleased to report that management have implemented all of our recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Segregation of duties conflicts between finance and system administration roles in Oracle Cloud.</b></p> <p>Our audit identified the following segregation of duties conflicts for users in Oracle Cloud:</p> <ul style="list-style-type: none"> <li>• A Senior Finance Analyst had access to the Application Implementation Consultant and IT Security Manager roles.</li> <li>• A Senior Finance Analyst had access to six Brent L3 Support roles.</li> <li>• The Head of Finance had access to the IT Security Manager role.</li> <li>• Five finance users who had access to the Financial Integration Specialist role (we note that this access was revoked on 14 April 2022).</li> <li>• 13 members of the Payroll team and four members of the Learning and Development team who had access to the Brent HCM Application Administrator role.</li> </ul> <p>The Pension Fund confirmed that some of these users required this level of access to complete the closedown process for the production of the financial statements.</p> <p><b>Risk</b></p> <p>Bypass of system-enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters</p> <p>It is recommended that the Pension Fund undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities.</p> <p>Furthermore, the Pension Fund should undertake an assessment of the specific access that is required to complete the year end closedown process and build custom roles within Oracle Cloud rather than assigning powerful system administrator roles.</p>	<p><b>Privileged Oracle Cloud user rights and Oracle Cloud segregation of duties:</b></p> <ul style="list-style-type: none"> <li>- Four Quarterly user access reviews performed, by Oracle Cloud Applications Support, findings are recorded on SharePoint and is a manual process.</li> <li>- Only the Oracle Support Team &amp; SI support have the privileges to develop and makes changes in Oracle cloud, this follows the governance in place which also includes approval at the Oracle CAB for deployment into production.</li> </ul>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p data-bbox="315 339 757 368"><b>Lack of audit logging in Oracle Cloud.</b></p> <p data-bbox="315 379 1442 408">Our review identified that whilst audit logging is available within Oracle Cloud, this has not been enabled.</p> <p data-bbox="315 437 376 466"><b>Risk</b></p> <p data-bbox="315 477 1547 563">Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database.</p> <p data-bbox="315 603 1536 659">It is recommended that the Council implement audit logging for financially critical areas including, but not limited to:</p> <ul data-bbox="421 687 882 834" style="list-style-type: none"> <li>• Accounts Payable (including Suppliers);</li> <li>• Cash Management;</li> <li>• Accounts Receivable; and</li> <li>• General Ledger.</li> </ul> <p data-bbox="315 847 1536 903">The auditing should be sufficiently detailed to capture any changes made to Oracle Cloud such as changes to workflow approval rules or system configurations.</p>	<p data-bbox="1554 379 2085 491">- Single sign-on is currently in place and uses the users Brent email address as the bridge between Oracle and Active Directory as the authentication.</p>
✓	<p data-bbox="315 970 723 999"><b>Monitoring of scheduled processes.</b></p> <p data-bbox="315 1027 1547 1083">Our audit identified that exception report notifications are configured to be sent to the Senior Finance Analyst, rather than the internal Oracle Cloud Support team.</p> <p data-bbox="315 1112 376 1141"><b>Risk</b></p> <p data-bbox="315 1152 1547 1238">Restricting exception report notifications to certain individuals increases the risk that exceptions are not identified and resolved in a timely manner in their absence. This could result in incomplete or inaccurate financial information being posted between accounts within Oracle Cloud.</p> <p data-bbox="315 1273 1503 1359">It is recommended that the Council configure all exception report notifications, for key financial scheduled processes, to be sent to a shared mailbox so that they can be monitored and resolved in a timely manner by the Oracle Cloud Support team.</p>	<p data-bbox="1554 970 2002 1026">Change requests are logged via Hornbill following the governance model in place.</p> <p data-bbox="1554 1038 2092 1150">- Changes to Oracle Cloud are first conducted in SIT by the SI, then replicated in DEV4 for testing before being taken to CAB and deployed in PROD.</p> <p data-bbox="1554 1163 2085 1278">- Change are taken to the Oracle Cloud CAB for approval each week, with emergency ones held as and when needed. Oracle CAB includes business leads as well as Oracle Cloud leads.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Project documents maintained in an unsecured format.</b></p> <p>Our audit identified that draft 'solution design documents', with unaccepted track changes, for a number of key process areas of the Oracle Cloud project were kept on the project SharePoint site. These documents could be accessed by staff from the Council's System Integrator and Infosys teams.</p> <p><b>Risk</b></p> <p>There is a risk that unauthorised changes could be made to the solution design documents, which could result in processes and controls not operating as anticipated. This could also result in financial misstatement through fraud or error if certain controls are not implemented as planned.</p> <p>For future major projects, it is recommended that the Council consider the following measures to help safeguard key project documentation:</p> <ul style="list-style-type: none"> <li>• Ensuring that changes to key documents are authorised before processed, reviewed by someone independent of the author with any comments arising being addressed in a timely manner.</li> <li>• Restricting access to editable versions of documents to authorised personnel, which should exclude the System Integrator team.</li> <li>• Publishing PDF versions of key documents for use by the project team, these documents should include version control information such as dates when they were signed off and by whom.</li> </ul>	<p>Access to modify financially significant scheduled jobs is restricted to the Oracle Cloud Applications Support Team</p> <ul style="list-style-type: none"> <li>- Any changes to financially significant scheduled jobs are managed and recorded via Hornbill.</li> <li>- This operation is carried out daily by the OCAS team identifying exceptions and controls are in place.</li> </ul>

## Assessment

- ✓ Action completed
- X Not yet addressed

# D. Audit Adjustments

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

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
The audit fees for 2021/22 were incorrectly disclosed in the draft accounts at £33k instead £38k.	The management fees for 21/22 need to updated to the correct amount <b>Management response</b> Final set of accounts will be updated.	✓
From our audit work and hot review , we challenged management about why there were no financial assets disclosed at amortised cost if they have level 1 assets in the form of cash. The draft accounts only showed financial liabilities at amortised cost..	Management should amend financial instrument note to include financial assets at amortised cost <b>Management response</b> Final set of accounts will be updated.	✓
From the hot review of the accounts, we identified that Note 4 of the draft accounts includes 'Unquoted private equity / infrastructure / private debt investments and pension fund liability as critical judgements not involving estimates. We challenge management over those.	Management should exclude the two points under critical judgement. Final set of accounts will be updated.	✓

## D. Audit Adjustments (continued)

### Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
We identified from our purchases and sales testing that the sales figures for several Level 3 investments have been understated per our review of the fund manager reports. The net variance between the sales figures per fund manager confirmation and the figures disclosed in the accounts is £6m. The reason for this is that some of the sales figure have been recorded as gains in the accounts. There is an understatement of investment sales of £6m and an overstatement of gains of £6m. The variance of £6m is made up of investments held in Capital Dynamics and Alinda funds, with the biggest variance of £4.4M relating to Alinda III investment.				The Pension Fund has not adjusted the error is below PM
Dr gain on investments		(6,000)		
Cr Sales		6,000		
<b>Overall impact</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	

### Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
During the testing of contributions paid by admitted bodies, we identified an error where the pension fund overstated the pension paid by an admitted bod by £1,691. We extrapolated the error to £2,640k				The Pension Fund did not adjust it as it was not a factual error.
Dr Contribution	2,640			
Cr current Liabilities		-2,640		
<b>Overall impact</b>	<b>£2,640</b>	<b>£2,640</b>	<b>£0</b>	

# E. Fees and non-audit services

We confirm below our proposed fees charged for the audit. There were no fees for the provision of non-audit services.

Audit fees	Proposed fee
Scale fee	£22,420
Investment Valuation	£6,351
Additional audit procedures arising from a lower materiality	£6,575
Increased audit requirements of revised ISA 540	£3,500
Journals	£2,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
ISA 315	£3,000
New System Implementation work	£6,500
Hot Review	£2,500
Work on triennial valuation member data	£5,000
<b>Delays resulting from investment work including purchases and sales testing</b>	<b>£2,000</b>
<b>Total audit fees (excluding VAT)</b>	<b>£53,771</b>

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



# E. Fees and non-audit services

There are no non-audit or audited related services have been undertaken for the Pension Fund

The proposed fees reconcile to the financial statements as shown below

fees per financial statements	£37,771
• New System Implementation work	£6,500
• Hot Review	£2,500
• Work on triennial valuation member data	£5,000
• Delays in investment work including purchases	£2,000
• and sales work	
• total fees per above	£53,771

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

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

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

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

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

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

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

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

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <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.

