



South Tyneside Council

Local Pension Board

Date: 30th March 2023

Annual Report and Accounts (for information and discussion)

Report of the Head of Pensions

Purpose of Report

1. This report provides an update with the position for the Report and Accounts for 2020/21, 2021/22 and 2022/23.
2. The Board is asked to note the report:

Background

3. The deadlines for the production and authorisation of the Pension Fund accounts normally follow the timescales outlined in the Accounts and Audit Regulations 2015, as follows:
 - 31st May in the year following the end of the financial year, produce draft accounting statements for the Council and the Pension Fund.
 - No later than the 31st July in the year following the end of the financial year produce the audited Council's Report and Accounts, which contains the Fund's Financial Statements.
 - 1st December publish the Pension Fund Annual Report and Accounts.
4. As a consequence of the knock on impact from Covid-19 and ongoing national audit issues, the Department of Levelling-up, Housing and Communities extended the deadlines for the production of Accounts for 2021/22 as follows;
 - 31st July 2022 for the draft Financial Statements for the Council and the Pension Fund.
 - 30th November 2022 for the audited Council's Report and Accounts, which contains the Fund's Financial Statements.
 - 1st December 2022 to publish the Pension Fund Report and Accounts.
5. These changes to the deadlines were to allow organisations more time to complete their financial statements and auditors to complete their audit work.
6. The Department of Levelling-up, Housing and Communities have recently completed a consultation on the deadlines for the production of Accounts for 2022/23. Local Authorities have been advised to plan for a return to the original production deadline of 31st May until a decision on the outcome of the consultation is announced.
7. This report updates the Board with the position on the 2020/21 and 2021/22 Report and Accounts.

2020/21 Report and Accounts

8. Whilst this report is primarily intended to cover the position on the 2021/22 Financial Statements and Report and Accounts, it also updates the Board with the position on the Fund's 2020/21, Financial Statements and Report and Accounts.

9. The Board will recall that there had been a material delay to the Council's Auditor, Ernst and Young (EY) signing off the 2020/21 Report and Accounts.
10. This was due to a national issue impacting on all Local Authority financial statements including those of South Tyneside Council. This had nothing to do with the Pension Fund, but, because the Fund's Financial Statements are included in the Council's Report and Accounts, they and the Fund's Annual Report and Accounts could not be signed off until the Council position had been resolved.
11. An approach has been agreed between local authorities, audit firms and accountancy professional bodies, which allowed councils to get their 2020/21 Report and Accounts signed off with a limited opinion.
12. Consequently, the Council and the Fund have had the 2020/21, Financial Statements and Report and Accounts signed off by EY. This was done in November 2022. Whilst there is limited opinion on the Council's Report and Accounts, the opinion for the Fund is not limited in any way.

2021/22 Report and Accounts

13. At the Board meeting in July 2022 a report was presented to the Board which set out a proposed approach to the audit of the 2021/22 Report and Accounts. Ernst and Young (EY), the Fund's external auditor also presented their audit plan for the year end accounts.
14. The deadline of 31st July, for the completion of the draft Financial Statement for the Pension Fund was achieved and the Fund's draft Report and Accounts (including the Financial Statements) were produced and presented to the Pensions Committee at the meeting in September 2022. Unfortunately, EY had not progressed their audit work sufficiently at that time, and consequently, were not able to present the findings from the audit work to the September meeting of the Committee.
15. This audit work was substantially complete by the November 2022 Pensions Committee meeting and a draft audit report from EY was presented at that meeting. A copy of this report is attached.
16. The Committee approved the Financial Statements and draft Report and Accounts in November 2022. These were then published on the Fund's website ahead of the deadline for publication of 1st December 2022.
17. Whilst the Fund was able to meet the deadline for publishing its draft Report and Accounts, EY was not, in a position to sign off the Council's Financial Statements which includes the Fund's Financial Statements. This in turn means that the Fund's Report and Accounts will not be finalised until the Council's accounts are signed off. The Fund's Report and Accounts will remain in draft format until EY are able to provide their audit opinion.

18. The delay is caused by the same issue that has affected the 2020/21 Report and Accounts. Whilst the 2020/21 Report and Accounts were signed off with a limited opinion, this is not considered appropriate at the current time, for the 2021/22 Accounts.
19. At the time of writing EY has advised the Fund that they are still awaiting clarification of the position from the Chartered Institute of Public Finance and Accountancy (CIPFA). Until this is received the Accounts cannot be signed off.
20. This draft audit report from EY is now being presented to the Local Pension Board and a representative from EY will be, in attendance at the meeting to brief the Board on its contents.
21. A copy of the Fund's draft Annual Report and Accounts has previously been provided to the Local Board.

Audit Plan 2022/23

22. EY would usually attend the March meetings of the Pension Committee and Local Pension Board to present their Audit Plan for the forthcoming financial year.
23. Unfortunately, due to the delays in completing the audit for 2021/22 the Audit Plan is not ready for this meeting. EY have agreed to attend the next Board meeting in July to present the Audit Plan for 2022/23.

Recommendation

24. The Board is recommended to note this report.

Annual Report and Accounts

The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:

Background Paper	File Ref:	File Location
Final Accounts File 2021/22		Investments Office, South Shields Town Hall



**Tyne and Wear
Pension Fund
Draft Audit Results Report**

Year ended 31 March 2022

November 2022



EY

Building a better
working world



Private and Confidential

November 2022



South Tyneside Council
Town Hall and Civic Offices
Westoe Road
South Shields
NE33 2RL

Dear Audit Committee Members, Pension Committee Members, and Local Pension Board Members

2022 Draft Audit Results Report

We are pleased to attach our draft audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee, Pensions Committee, and Local Pensions Board. At the time of drafting this report for papers the audit is ongoing so we will update the Pensions Committee at the meeting scheduled on the 29th November 2022 and the Audit Committee and Local Pensions Board at a future meeting once the dates have been confirmed on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2022 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Tyne and Wear Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Audit Committee, the Pensions Committee, the Local Pensions Board and other members of the Authority and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the future Committee Meetings.

Yours faithfully

Hassan Rohimun, Associate Partner

For and on behalf of Ernst & Young LLP

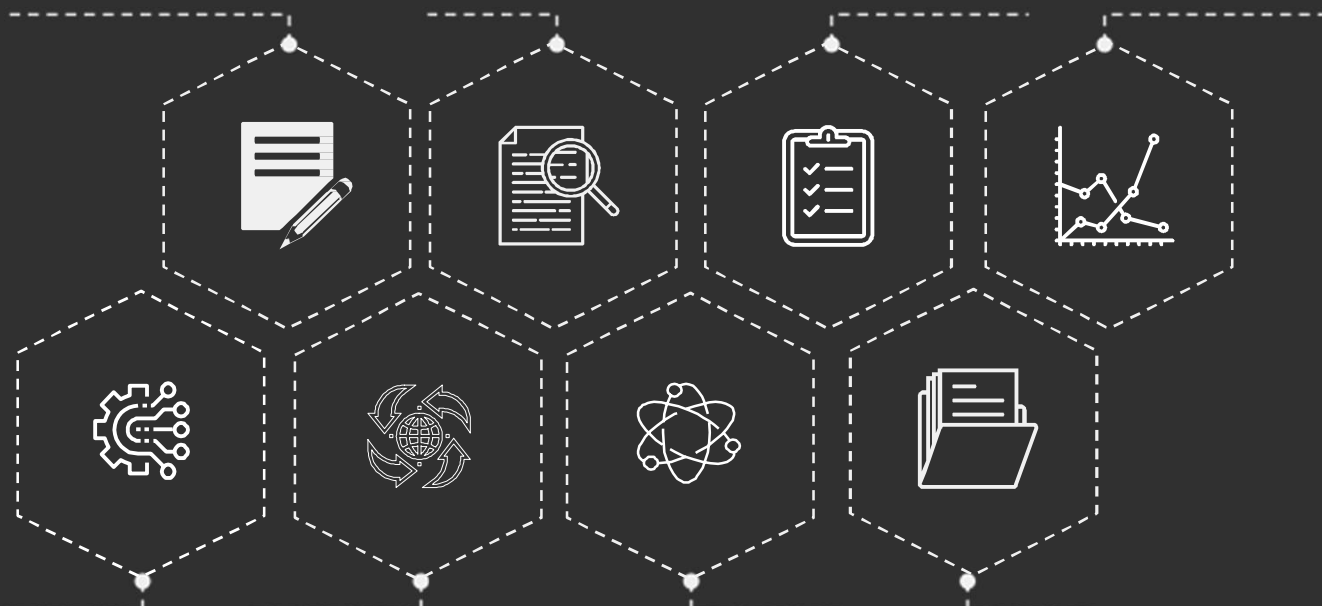
Contents

01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences



05 Other Reporting Issues

06 Assessment of Control Environment

07 Independence

08 Appendices

[Public Sector Audit Appointments Ltd \(PSAA\) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website \(https://www.psa.co.uk/audit-quality/statement-of-responsibilities/\)\).](https://www.psa.co.uk/audit-quality/statement-of-responsibilities/) The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Tyne and Wear Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Tyne and Wear Pension Fund those matters we are required to state to them in this 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 Audit Committee and management of Tyne and Wear Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary

Scope update

In our audit planning report tabled at the 18 July 2022 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ Changes in materiality: In our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £60.4m and our threshold for reporting misstatements would be £6m. These were on the basis of 50% of our planning materiality (set at 1% of net assets) and 5% of our planning materiality.

At the year end, we updated our assessment and confirmed that the following thresholds remained appropriate:

- Planning Materiality – 1% of Net Assets
- Performance Materiality – 50% of Planning Materiality
- Audit Differences – 5% of Planning Materiality

The materiality levels however were revised on the above basis using the draft accounts.

Therefore, the execution materiality used was as follows:

- Planning Materiality – £127.5m
- Performance Materiality – £63.7m
- Audit Differences – £6.4m

Status of the audit

Our audit work in respect of the Fund opinion is still ongoing. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ IAS 19 procedures
- ▶ Internal review procedures - all audit fieldwork is subject to go through Manager, Partner and Peer review
- ▶ Going Concern - we will review the going concern assessment up to the date of signing the audit opinion
- ▶ Audit completion procedures - including receipt of signed management representation letter
- ▶ Related Party Transactions
- ▶ Financial Instruments

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts which could influence our final audit opinion.

Executive Summary

Audit differences

Due to the timing of when management prepare the draft accounts, quarter three investment valuations are used which are then rolled forward and adjusted to give a 31 March 2022 valuation. As part of our audit testing we seek third party confirmations from fund managers which are the 31 March 2022 actual valuations. Each year we would therefore expect some differences between the valuations included in the financial statements, and the total valuations confirmed to us by fund managers due to the timing difference. If this difference is immaterial, management may opt not to adjust the accounts. We identified differences in this area which have been reported in section 4 of this report.

As part of our testing we also perform an analytical review of Pooled Investment Vehicles' to calculate a year end expectation. To do this we use the MSCI growth rates. We identified a variance of £7.4m when compared to the value per the accounts. Due to this being a judgmental difference, and immaterial, we would not require management to adjust the accounts. Further information has been included in section 4 of this report.

The audit is still underway, any additional differences that are identified will be reported in an update version of the Audit Results Report.

The rationale for not adjusting for the above differences must be set out in the letter of representation by management and the Audit Committee.

Other reporting issues

We review the Annual Report for consistency with the audited Pension Fund financial statements included in the South Tyneside Council Statement of Accounts. At the time of writing this report our review of the Annual Report is ongoing.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. Through our audit work to date, we have not identified any significant weaknesses in controls that we wish to bring to your attention. However, as the audit is ongoing we will confirm in our final report if this remains to be the case.

We also considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment or effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

Independence

We have not identified any issues with independence.

Please refer to Section 7 for our further insight and our update on Independence.



Executive Summary

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Tyne and Wear Pension Fund. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Misstatements due to fraud or error

Our audit work in this area is still ongoing, however, at the time of writing this report we have not identified any material misstatements.

Valuation of unquoted pooled investment vehicles and private equity investments

Due to the timing of when management prepare the draft accounts, quarter three investment valuations are used which are then rolled forward and adjusted to give a 31 March 2022 valuation. As part of our audit testing we seek third party confirmations from fund managers which are the 31 March 2022 actual valuations. Each year we would therefore expect some differences between the valuations included in the financial statements, and the total valuations confirmed to us by fund managers due to the timing difference.

We noted a total net difference of £36m (£19.1m on pooled investment vehicles and £16.9m on private equity) when compared to the third party fund manager confirmations.

As part of our testing we also perform an analytical review of Pooled Investment Vehicles' to calculate a year end expectation. To do this we use the MSCI growth rates. We identified a variance of £7.4m when compared to the value per the accounts.

This work is still subject to Manager and Partner review and therefore we cannot confirm that further misstatements are not identified.

Valuation of directly held property

EY Real Estate have reviewed a sample of assets and found the valuation to be within an expected range. The audit team is in the process of completing the remaining procedures in respect of the valuation of directly held property.

Going Concern Compliance with ISA 570

Our audit work in this area is still ongoing, however, at the time of writing this we have not identified any events or conditions that suggest managements assumption of going concern is inappropriate.



02

Areas of Audit Focus



Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We respond to this fraud risk on every audit engagement. We did not identify any specific fraud risks in our planning.

What judgements are we focused on?

Our work in this area focused on reviewing manual journal entries, through the use of our data analytics tools, as this is the way in management would most easily be able to manipulate accounting records.

What are our conclusions?

Our audit work in this area is still ongoing, however, at the time of writing this report we have not identified any material misstatements.

What did we do?

- ▶ We identified fraud risks during the planning stages of our audit;
- ▶ We inquired of management about risks of fraud and the controls put in place to address those risks;
- ▶ We developed our understanding of the oversight given by those charged with governance over management's processes over fraud;
- ▶ We considered the effectiveness of management's controls designed to address the risk of fraud;
- ▶ We determined an appropriate strategy to address those identified risks of fraud; and
- ▶ We performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements, assessing accounting estimate and identifying significant unusual transactions.



Areas of Audit Focus

Significant risk

Valuation of unquoted pooled investment vehicles

What is the risk?

The Fund's investments include unquoted pooled investment vehicles. Judgement is required from Investment Managers to value these investments as prices are not publicly available. The material nature of these investments means that any error in these judgements could result in a material valuation error.

We identified the valuation of the Fund's investments in unquoted pooled investment vehicles as a significant risk, as even a small movement in the assumptions underpinning investment manager valuations could have a material impact upon the financial statements.

What judgements are we focused on?

Our work in this area focused on ensuring that the assumptions used by investment managers in relation to the valuation of complex pooled investment vehicles were free from material misstatement.

What did we do?

- ▶ We documented and walked through the design and implementation of the controls over the valuation process;
- ▶ We obtained third party confirmations of the valuation of unquoted pooled investments at the reporting date from the investment managers. We also cross-checked the investment manager confirmations to the confirmation of assets held obtained from the Fund's custodian;
- ▶ We reviewed the relevant investment manager controls' reports for qualifications or exceptions that may affect the audit risk;
- ▶ We compared the movement in valuation of investments in unquoted investment vehicles with the returns recognised as investment income per the investment manager confirmations, and investigated any unusual variances;
- ▶ We agreed a sample of purchases and sales of unquoted pooled investments during the period to supporting evidence; and
- ▶ Reviewed the basis of valuation to ensure this is in line with accounting policy.

What are our conclusions?

Our audit work in this area is still ongoing our work to date has identified the following:

- Due to the unavailability of some third party confirmations when the accounts were prepared, included within the initial draft accounts presented to us for audit was the quarter three valuations rolled forward to produce a year end valuation. Upon receipt of the year end confirmations, we identified a total investments variance of £36m.
- The total net difference identified relating to Pooled Investment Vehicles is £19.1m.
- The gross difference identified on Pooled Investment Vehicles is £38.95m.

The total net difference is below our tolerable error level, therefore the accounts do not require adjustment.

The gross difference is included for reporting purposes and does not affect the Fund accounts.

As part of our testing we also perform an analytical review of Pooled Investment Vehicles' to calculate a year end expectation. To do this we use the MSCI growth rates. We identified a variance of £7.4m when compared to the value per the accounts.



Areas of Audit Focus

Significant risk

Valuation of private equity investments

What is the risk?

Judgement is required to value private equity investments as prices are not publicly available and market volatility means such judgements can quickly become outdated, especially where there is a significant time period between the latest audited information and the Fund's reporting date.

What judgements are we focused on?

Our work in this area focused on ensuring that the assumptions used by investment managers in relation to the valuation private equity investments were free from material misstatement.

What did we do?

- ▶ We obtained understanding on the process and design of the controls over valuation process
- ▶ We obtained third party confirmations of the valuation of private equity investments at the reporting date from investment managers;
- ▶ We reviewed the relevant investment manager controls' reports for qualifications or exceptions that may affect the audit risk;
- ▶ We obtained the latest available audited accounts and agreed the net asset value per the accounts to the net asset value included in the investment manager confirmations;
- ▶ We reviewed the audit reports on the latest available audited accounts and evaluated the potential impact on the valuation of the Fund's investments of any exceptions noted;
- ▶ For investments held in a currency other than sterling, we compared the exchange rate used to convert the investment value into sterling to historical market information on exchange rates at the reporting date; and
- ▶ We tested a sample of investment purchases and sales during the year.

What are our conclusions?

Our audit work in this area is still ongoing our work to date has noted the following :

- Our review of investment fund audited financial statements, the audit reports provided on those statements and the translation of foreign-denomination investments to sterling did not identify any issues.
- Due to the unavailability of some third party confirmations when the accounts were prepared, included within the initial draft accounts presented to us for audit was the quarter three valuations rolled forward to produce a year end valuation. Upon receipt of the year end confirmations, we identified a total investments variance of £36m.
- The total net difference identified relating to Private Equity Investments is £16.9m.
- The gross difference identified for Private Equity Investments is £42.75m.

The total net difference is below our tolerable error level, therefore the accounts do not require adjustment.

The gross difference is included for reporting purposes and does not affect the Fund accounts.



Areas of Audit Focus

Significant risk

Valuation of directly held property

What is the risk?

The Fund has a significant portfolio of directly held property investments. The valuation of these properties is subject to a number of assumptions and judgements, small changes in which could have a significant impact upon the financial statements.

What judgements are we focused on?

Our work in this area focused on ensuring that the assumptions used by the property valuers in relation to the valuation of directly held property, including assumptions about the impact of Covid-19 on the property market, were free from material misstatement.

What did we do?

- ▶ We documented and walked through the design and implementation of the controls over the valuation process;
- ▶ We obtained the valuation report from the external valuer (Savills) and reconciled the valuations provided to those utilised within the financial statements;
- ▶ We assessed the qualifications and experience of the external valuer to ensure that they can be relied upon as management's experts; and
- ▶ We engage EY Property experts to review and challenge the assumptions used by the external valuer to ensure that they are in line with our expectations.

What are our conclusions?

Our audit work in this area is still ongoing our work to date has noted the following:

- EY Real Estate have reviewed a sample of assets and found the valuation to be within an expected range.



Areas of Audit Focus



Going concern

We have performed the following procedures to address this risk:

- ▶ We challenged management's identification of events or conditions impacting going concern;
- ▶ We tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias);
- ▶ We reviewed the Fund's assessment that it is appropriate for the financial statements to be prepared on a going concern basis;
- ▶ We reviewed the Fund's liquidity and compared this to the Fund's expenditure to confirm that the Fund can cover its expenditure for a period of 12 months following the expected signing date of the audit opinion;
- ▶ We undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ We challenged the disclosure made in the accounts and annual report in respect of going concern and any material uncertainty.

Our audit work in this area is still ongoing, however, at the time of writing this we have not identified any events or conditions that suggest management's assumption of going concern is inappropriate.



03 Audit Report



Audit Report

Draft audit report

Our draft opinion on the financial statements

Our audit is ongoing and the fieldwork is subject to Manager and Partner review. We need to finalise our procedures before we can draft our opinion. We will include our opinion in the final version of this report when the audit is completed.



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of differences

We highlight the following corrected audit differences greater than £6m that were identified during the course of our audit:

- ▶ Note 23 stated there were 95 outstanding commitments, but there are 103.
- ▶ The related parties note stated charges from South Tyneside Council of 740k but this should have been 711k.

We highlight the following uncorrected audit differences greater than £6m that were identified during the course of our audit:

- ▶ Included within the initial draft accounts presented to us for audit was some investment valuations based on quarter three valuations rolled forward and adjusted for cash flows to produce a year end valuation. We noted a total net difference of £36m when compared to the third party fund manager confirmations.
- ▶ Upon recalculation of expected year-end position of PIV property, a variance has been identified of £7.4m when compared to the value per the accounts. This is a judgmental difference upon recalculation using average MSCI growth rates.

The rationale for not adjusting for the above differences, whilst reasonable due to materiality, must be set out in the letter of representation by management and the Audit Committee.



05

Other Reporting Issues

Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2021/22 with the audited financial statements.

We are currently concluding our work in this area.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest to date.

Other reporting issues

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and

We did not note any significant findings in relation to the above points to date.



06

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

To date, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



07 Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 2021/22 in line with the disclosures set out in FRC Ethical Standard and in statute. We confirm we have not undertaken non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services outside of the Statement of responsibilities issued by the PSAA has been submitted.

Independence

Relationships, services and related threats and safeguards

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Planned fee 2020/21
	£	£
Scale Fee - Code work	27,449	27,449
Rebasing of the scale fee to deliver an audit to meet regulatory requirements (Note 1)	34,699	34,699
IAS 19 Procedures - Code (Note 2)	12,000	12,000
Total Fee - Covid-19 impact	N/A	5,000
Revisions (Revised auditing standards ISA 540 and ISA 570) (Note 3)	6,000	6,000
Revisions - Merger	12,000	12,000
Valuation of Assets	2,000 to 5,000	N/A
Total audit fee	TBC	TBC

The agreed fee presented is based on the following assumptions:

- > Officers meeting the agreed timetable of deliverables;
- > Our accounts opinion being unqualified;
- > Appropriate quality of documentation is provided by the Fund; and
- > The Pension Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Pension Fund in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the base fee.

- (1) We wrote to management and the Audit Committee Chair on 10 February 2020 setting out our considerations on the sustainability of UK local public audit. Our Audit Planning Report in 2019/20 highlighted that we would be having further discussions with management to agree a scale fee variation for 2019/20 onwards and set out some of the factors informing this discussion. We were unable to agree a scale fee variation with management and submitted our proposal to PSAA to make a determination. The base fee set by PSAA for our 2020/21 audit is £27,449.
- (2) A fee is charged for the provision of IAS 19 assurances to the auditors of scheduled bodies that are subject to the NAO Code of Audit Practice. Management may opt to recharge such fees to the relevant member bodies.
- (3) Revised auditing standards in relation to going concern and estimates has increased the level of work we need to perform in these areas. This will require additional fee to be charged in 2020/21 onwards.

All fees exclude VAT

Other communications

EY Transparency Report 2022

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022:

[EY UK Transparency Report 2022 | EY UK](#)







08 Appendices




Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report - May 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Planning Report - May 2022
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Planning Report - May 2022

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
	<ul style="list-style-type: none"> ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Audit Results Report - November 2022
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - November 2022
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report - November 2022



Appendix A



Our Reporting to you

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit Results Report - November 2022
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - November 2022
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Planning Report - May 2022</p> <p>Audit Results Report - November 2022</p>

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit Results Report - November 2022
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit Results Report - November 2022






Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - November 2022 Management Representation Letter
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - November 2022
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - November 2022
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - November 2022

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Completion of investments valuation test	Valuation test for unquoted pooled investments and directly held property investments are currently underway	EY
Completion of IAS 19 procedures	We have queries regarding variances on contributions and benefits paid to resolve with management	EY and management
Internal Review Procedures	Engagement Partner and Manager review of the working papers is currently ongoing	EY
Going Concern	Finalisation of going concern disclosures	EY
Management representation letter	Receipt of signed management representation letter	Management and Audit Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and Management
Financial instruments testing	We are currently reviewing the financial instruments disclosures made in the financial statements	EY
Related Party Transactions Testing	We have recently received the declaration of interest forms from management to enable us to start our work on related parties	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited.



Appendix C

Management representation letter

Management Rep Letter

The letter of representation will be included in our final version of this report. The audit is ongoing and the level of error has not been concluded and therefore a draft letter cannot be prepared at this time.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](https://www.ey.com).

© 2022 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

[ey.com](https://www.ey.com)