



Report to the Pension Fund Committee

LONDON BOROUGH OF ENFIELD PENSION FUND

Audit Planning Report: year ended 31 March 2021

IDEAS | PEOPLE | TRUST



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WELCOME

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We have pleasure in presenting our Audit Planning Report to the General Purposes Committee of London Borough of Enfield Council (the 'Council'). This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process with those charged with governance.

It summarises the planned audit strategy for the year ended 31 March 2021 in respect of our audit of the financial statements; comprising materiality, key audit risks and the planned approach to these, together with the BDO team.

The planned audit strategy has been discussed with management to ensure that it incorporates developments in the scheme during the year under review, the results for the year to date and other required scope changes.

We look forward to discussing this plan with you at the General Purposes Committee meeting on 14 October 2021 and to receiving your input on the scope and approach.

In the meantime if you would like to discuss any aspects in advance of the meeting please contact one of the team.

Lisa Blake

06 October 2021



Lisa Blake

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Audit Senior

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This report has been prepared solely for the use of the Pension Fund Committee and Those Charged with Governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

SCOPE AND MATERIALITY

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This summary provides an overview of the key audit matters that we believe are important to the Pension Fund Committee in reviewing the planned audit strategy for the Pension Fund for the year ended 31 March 2021.

It is also intended to promote effective communication and discussion and to ensure that the audit strategy appropriately incorporates input from those charged with governance.

Audit scope

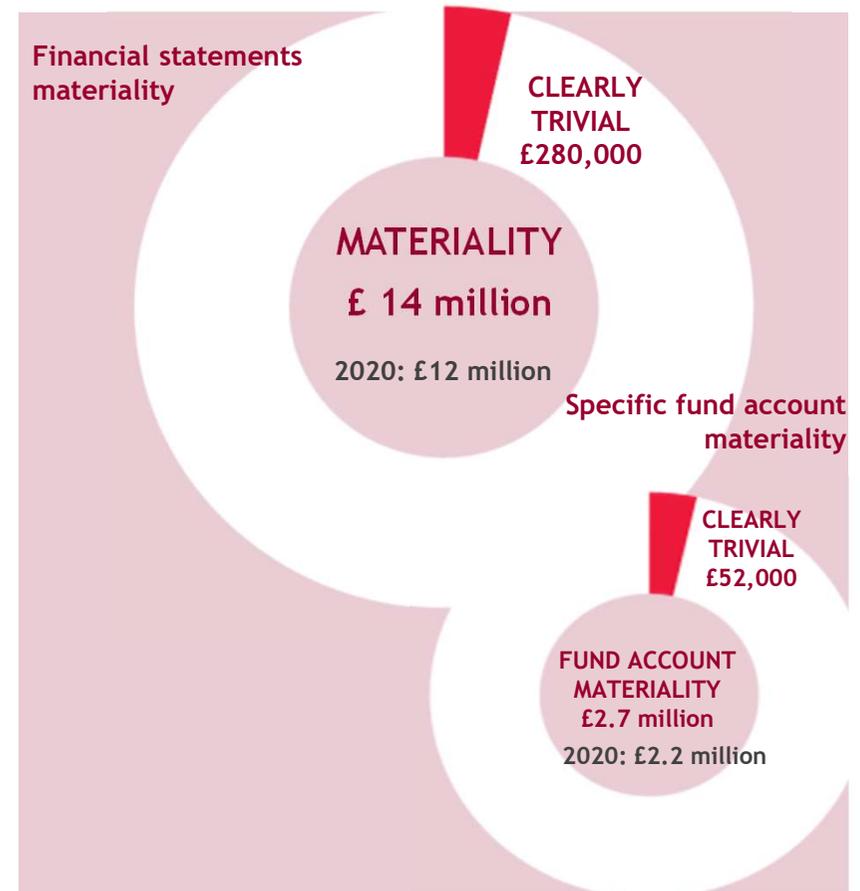
The scope of the audit is determined by the National Audit Office's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes auditing the financial statements and, where appropriate, exercising the auditor's wider reporting powers and duties.

Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the National Audit Office.

Materiality

Planning materiality for the Pension Fund financial statements will be set at 1% of investment assets (prior year 1%). Specific materiality (at a lower level) may be considered appropriate for certain financial statement areas and we set materiality for the Fund Account at 5% of contributions receivable.

Although materiality is the judgement of the engagement lead, the General Purposes Committee should consider whether the auditor's overall work plan, including planned levels of materiality and proposed resources to execute the audit plan, appears consistent with the scope of the audit engagement.



AUDIT STRATEGY

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Our audit strategy is predicated on a risk based approach, so that audit work is focused on the areas of the financial statements where the risk of material misstatement is assessed to be higher.

We have discussed the changes to the Pension Fund's systems and controls in the year with management and obtained their own view of potential audit risk in order to update our understanding of the Pension Fund's activities and to determine which risks impact on the numbers and disclosures in the financial statements. It is important to note that, at the time of drafting, the Council's 2019/20 audit has not been signed off so we will revisit our planning risk assessment after the final results of that audit are known, and continue to update this assessment throughout the 2020/21 audit.

We will continue to update this assessment throughout the audit.

The table on the next page summarises our planned approach to audit risks identified.

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Risk identified as per our risk assessment	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management override: Auditing Standards presume management is in a unique position to perpetrate fraud by overriding controls.	Significant	Yes	Substantive	Medium
Pension liabilities valuation: there is a risk that inappropriate assumptions and estimates are used for the valuation of the pension liability.	Significant	No	Substantive	High
Valuation of investment assets (infrastructure and private equity): there is an increased risk that infrastructure and private equity assets may not be appropriately valued as the valuations may not be based on observable market data.	Significant	No	Substantive	Low
Valuation of investment assets (other investments): There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.	Normal	No	Substantive	High
Contributions receivable: There is a risk that employers may not be calculating contributions correctly or the Pension Fund does not correctly charge costs arising on pension strain for early retirements and augmented pensions.	Normal	No	Substantive	Low
Benefits payable: There is a risk that benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations	Normal	No	Substantive	Low
Membership Disclosure: There is a risk that the membership database may not be accurate and up to date to support this disclosure.	Normal	No	Substantive	Low

INDEPENDENCE AND FEES

Executive summary



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We confirm that the firm complies with the Financial Reporting Council’s Ethical Standard for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

Fees

	2019/20 Proposed	2019/20 Proposed
Code audit fee	£18,857	£18,857
Supplementary fee	-	⁽¹⁾ £12,880
Proposed fee variation	⁽²⁾ £4,400	N/A
Total audit fees	£TBC	£31,737

(1) Additional fees in 2019/20 in response to issues reported in our Audit Completion Report for the year ended 31 March 2020 for increased levels of audit work to match audit quality standards and regulator requirements and triennial valuation.

(2) Estimate for supplementary fees to:

- Meet expectations of regulators for auditors to undertake additional work around management judgements and estimates, to obtain additional corroborating evidence for areas of risk - estimated additional fee £1,900
- Follow up issues arising from the previous audit - estimated additional fee £2,500

These are estimates at this stage, in particular because the 2019/20 audit is not yet complete, and will be reviewed and discussed with the Executive Director Resources, once our work is complete.

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Audit scope and objectives

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Key components of our audit objectives and strategy for the Pension Fund are highlighted and explained on the following pages.

It is important to note that, at the time of drafting, the Council's 2019/20 audit is incomplete so we will revisit our planning risk assessment after the final results of that audit are known

Furthermore, audit planning is a collaborative and continuous process and our audit strategy, as reflected here, will be reviewed and updated as our audit progresses.

We will communicate any significant changes to our audit strategy, should the need for such change arise.

Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the National Audit Office.
Financial statements	We will express an opinion on the Pension Fund financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2020/21 and other directions.
Statement of Accounts	In addition to our objectives regarding the financial statements, we will also read and consider the other information published together with the financial statements to consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.
Annual Report	We will review the Pension Fund Annual Report and report on the consistency of the Pension Fund financial statements within the Annual Report with the Pension Fund financial statements in the Statement of Accounts.
Report to the General Purposes Committee	Prior to the approval of the financial statements, we will discuss our significant findings with the General Purposes Committee. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.

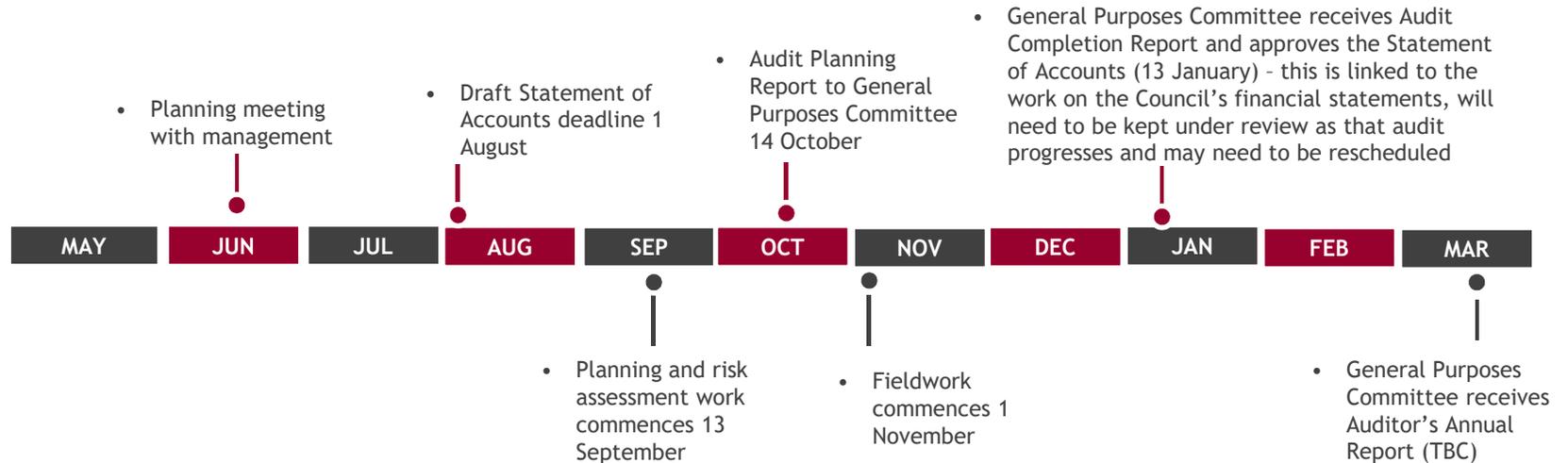
AUDIT TIMELINE

An overview of the key dates

In 2019/20 there were a significant number of delayed audit opinions arising from additional audit resources required due to the increasing complexity of local authority financial statements, greater use of complex group structures and activities undertaken through subsidiaries and joint ventures, and pressure on auditors to deliver higher quality audits. These delays have impacted the delivery of grant certification work which, in turn, has significantly disrupted ability to deliver substantial interim audits. As a result of these combined factors, there are insufficient available specialist audit resources in the local public audit sector to deliver all local authority audit opinions ahead of the local authority publication deadline for 2021. We recognise that this is not an ideal situation for the sector but reflects the pressures on audit resources in local public audit.

In BDO, reflecting the above, our resource plans for 2020/21 extend beyond the 30 September local authority publication deadline set. In addition, for London Borough of Enfield specifically, we do not consider it feasible to deliver an audit of the scope, complexity and level of audit risk set out in this Audit Plan within a two month period.

We have agreed with management that we will risk assess our ability to deliver the audit timetable, setting realistic timelines for the preparation and provision of draft accounts and supporting working papers and evidence as well as for their audit.



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BDO TEAM

Team responsibilities

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As audit engagement lead I have primary responsibility to ensure that the appropriate audit opinion is given.

In meeting this responsibility I ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to report on the financial statements and communicate as required by the ISAs (UK), in accordance with our findings.

I am responsible for the overall quality of the engagement.



Francesca Palmer
Audit Manager

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I will lead on the audit of the Pension Fund. I work closely with Lisa to develop and execute the audit strategy. I will ensure that timelines are carefully managed to ensure that deadlines are met and matters to be communicated to management and the Pension Fund Committee are highlighted on a timely basis.



Ash Ahmed
Audit Senior

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I will be responsible for the day to day supervision of the audit team and a key point of contact for the finance team during the audit, as well being responsible for operational project management. I will also deliver of some of the key audit work in response to significant risks.

OVERVIEW

Audit risks

We have assessed the following as audit risks. These are matters assessed as most likely to cause a material misstatement in the financial statements and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

Description of risk	Significant risk / Normal risk	Overview of risk
Management override of controls	Significant	Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. We are required to consider this as a significant risk of material misstatement due to fraud.
Pension liabilities valuation	Significant	There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.
Valuation of investment assets (infrastructure and private equity)	Significant	The valuation of infrastructure and private equity holdings is a significant risk as it involves a higher degree of estimation uncertainty.
Valuation of investment assets (other investments)	Normal	There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.
Contributions receivable	Normal	There is a risk that employers may not be calculating contributions correctly and paying over the full amount due (on normal and deficit rates) or that the Pension Fund does not correctly charge costs arising on pension strain for early retirements and augmented pensions.
Benefits payable	Normal	There is a risk that benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.
Membership disclosure	Normal	In the prior year we identified that the membership number disclosed in the accounts was incorrect.

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MANAGEMENT OVERRIDE OF CONTROLS

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Auditing standards presume management is in a unique position to perpetrate fraud by overriding controls.

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

Risk detail

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. This could occur in areas such as valuation of investments or contributions receivable. We are required to consider this as a significant risk of material misstatement due to fraud.

Planned audit approach

Our audit procedures will include the following:

- Analyse and verify journal entries made in the year by agreeing the journals to supporting documentation; we will determine key risk characteristics to filter the population of journals and use our IT team to assist with the journal extraction
- Assessment of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias
- Assess unadjusted audit differences for indications of bias or deliberate misstatement.

PENSIONS LIABILITY VALUATION

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There is a risk the valuation is not based on appropriate membership data, where there are significant changes, or uses inappropriate assumptions to value the liability.

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by management

Risk detail

The fund’s actuarial value of future promised retirement benefits is calculated by an independent firm of actuaries. The estimate is based on the roll forward of membership data from the 2019 triennial valuation exercise, updated at 31 March 2021 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

There is a risk the valuation is not based on appropriate membership data, where there are significant changes, or uses inappropriate assumptions to value the liability.

Planned audit approach

Our audit procedures will include the following:

- Agree the disclosures to the information provided by the pension fund actuary
- Assess the controls for providing accurate membership data to the actuary
- Check whether any significant changes in membership data have been communicated to the actuary
- Review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.

VALUATION OF INVESTMENT ASSETS (INFRASTRUCTURE & PRIVATE EQUITY)

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The valuation of infrastructure and private equity holdings is a significant risk as it involves a higher degree of estimation uncertainty.

Significant risk
Normal risk
Fraud risk
Assess design & implementation of controls to mitigate
Significant Management estimates & judgements
Controls testing approach
Substantive testing approach
Risk highlighted by management

Risk detail

The investment portfolio includes unquoted infrastructure and private equity holdings valued by the fund manager. The valuation of these funds and underlying assets may be subject to a significant level of assumption or estimation and valuations may not be based on observable market data. In some cases, the valuations are provided at dates that are not coterminous with the Pension Fund’s year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations. There may also be material changes to the underlying values of the assets within the fund between the valuation date of that entity and 31 March 2021.

As a result, we consider there to be a significant risk that investments may not be appropriately valued in the financial statements.

Planned audit approach

Our audit procedures will include the following:

- Obtain direct confirmation of investment valuations from the fund managers and copies of the audited financial statements (and member allocations) from the fund for infrastructure and private equity funds
- Confirm that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds where the financial statement date supporting the valuation is not coterminous with the Pension Fund’s year end
- Check whether there may have been material changes in the underlying value of the assets in the funds since the last valuation date and 31 March 2021 per market conditions and latest financial statements or partnership accounts and whether changes have been reflected in an updated valuation provided by the fund manager
- Ensure investments have been correctly valued in accordance with the relevant accounting policies
- Consider whether there are any indications of impairment in relation to the investments held.
- Obtain independent assurance reports over the controls operated by both the fund managers and Custodian for valuations and existence of underlying investments in the funds.

VALUATION OF INVESTMENT ASSETS (OTHER)

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There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

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 Risk highlighted by management

Risk detail

The fair value of other funds (principally unit trusts and pooled investments held through unitised insurance policies) is provided by individual fund managers and reviewed by the Custodian, and reported on a quarterly basis. These funds are quoted on active markets.

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Planned audit approach

Our audit procedures will include the following:

- Obtain direct confirmation of investment valuations from the fund managers and agreed valuations, where possible, to readily available observable data (such as Bloomberg)
- Ensure that investments have been correctly valued in accordance with the relevant accounting policies
- Consider whether there are any indications of impairment in relation to the investments held.
- Obtain independent assurance reports over the controls operated by both the fund managers and Custodian for valuations and existence of underlying investments in the funds.

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There is a risk that employers may not be calculating contributions correctly or the Pension Fund does not correctly charge costs arising on pension strain for early retirements and augmented pensions.

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by management

Risk detail

Employers are required to deduct amounts from employee pensionable pay based on tiered pay rates and to make employer normal and deficit contributions in accordance with rates agreed with the actuary.

Additional contributions are also required against pension strain for unreduced pensions for early retirements and augmentation of pensions.

There is a risk that employers may not be calculating contributions correctly, not paying over the full amount due to the Pension Fund or failing to charge employers the capital cost of pension strain due to early retirement.

Planned audit approach

Our audit procedures will include the following:

- Test a sample of normal contributions due, additional deficit contributions where included in a higher employer rate and employer deficit lump sum payments for active members including checking to employer payroll records
- Review contributions receivable and ensure that income is recognised in the correct accounting period where the employer is making payments in the following month
- Perform tests over capital cost due from employers for pension strain due to early retirement
- Carry out audit procedures to review contributions income in accordance with the Actuary’s Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.

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There is a risk that benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.

Significant risk
Normal risk
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Significant Management estimates & judgements
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Risk highlighted by management

Risk detail

Benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations. Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.

Planned audit approach

Our audit procedures will include the following:

- For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, substantively test a sample of calculations of pension entitlement
- Check the correct application of annual pension uplift for members in receipt of benefits
- Check a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member and also review the results of the 'Tell Us Once' notification from HRMC to ensure future payments have been suspended for any bereavements identified
- Review the results of the latest National Fraud Initiative (NFI) data matching exercise of members in receipt of benefits with the records of deceased persons and what actions have been taken to resolve potential matches
- Review any life certification exercises undertaken for members that are excluded from the National Fraud Initiative
- Agree amounts recorded in the ledger for benefits paid to the pensioner payroll reports.

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There is a risk that the membership database may not be accurate and up to date to support this disclosure.

Risk detail

Membership information including the number of current contributors, deferred beneficiaries and pensioners by employer is required to be disclosed.

There is a risk that the membership database may not be accurate and up to date to support this disclosure.

Planned audit approach

Our audit procedures will include the following:

- Obtain membership records and review the controls over the maintenance of these records; and
- Undertake sample testing of movements of members to transactions recorded in the fund account.

Significant risk
Normal risk
Fraud risk
Assess design & implementation of controls to mitigate
Significant Management estimates & judgements
Controls testing approach
Substantive testing approach
Risk highlighted by pension fund

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Fraud

Whilst the directors of the Council have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance.

We have not been made aware of any actual alleged or suspected incidences of fraud. We request confirmation from the General Purposes Committee on the risks and existence of fraud and a discussion on the controls and processes in place to ensure timely identification and action.

Management believe that there is low risk of material misstatement arising from fraud and that controls in operation would prevent or detect material fraud.

It should be noted, however, that at the time of drafting our fraud risk assessment is not fully complete and will be updated after the 2019/20 audit is signed off.

Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with the CIPFA Code of Practice on Local Authority Accounting 2020/21 under the circumstances.

Significant accounting estimates and judgements

We will report to you on significant accounting estimates and judgements. We will seek to understand and perform audit testing procedures on accounting estimates and judgements including consideration of the outcome of historical judgements and estimates. We will report to you our consideration of whether management estimates and judgements are within an acceptable range.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We will review the reports issued by the Council's internal audit function, as relevant to the Pension Fund, although we do not plan place reliance on their work in respect of their assessment of control processes.

Laws and regulations

We will consider compliance with laws and regulations. The most significant of these for your organisation includes VAT legislation, Employment Taxes, Health and Safety and the Bribery Act 2010. We will make enquiries of management and review correspondence with the relevant authorities.

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Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment of fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management.

Financial statement disclosures

We will report to you on the sufficiency and content of your financial statement disclosures.

Contingencies

We request input from the Pension Fund Committee on recent claims.

Any other matters

We will report to you on any other matters relevant to the overseeing of the financial reporting process. Where applicable this includes why we consider a significant accounting practice that is acceptable under the financial reporting framework not to be the most appropriate.



IRREGULARITIES (INCLUDING FRAUD)

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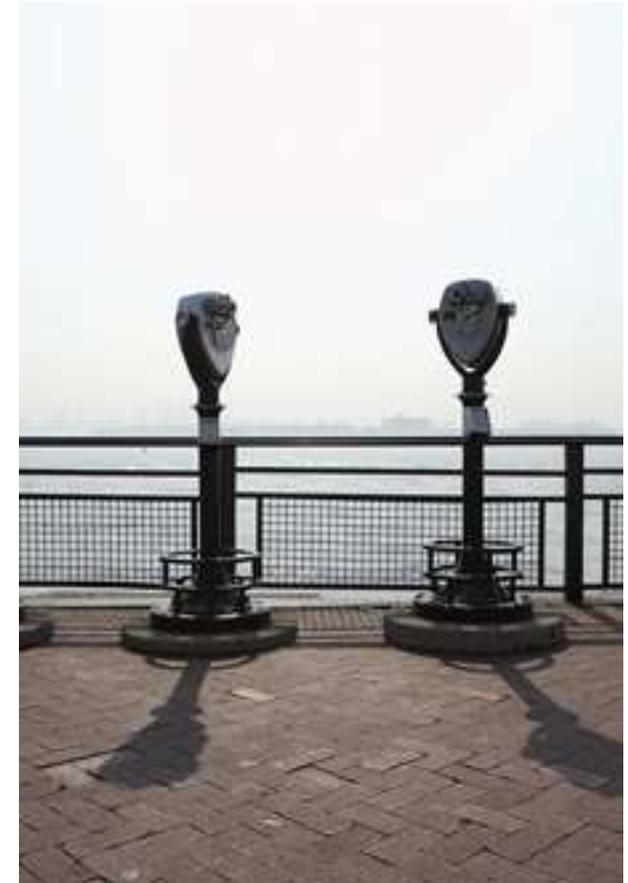
We are required to include in our auditor's report an explanation of the extent to which the audit is considered capable of detecting irregularities (non compliance with laws and regulations), including fraud.

Our audit is designed to provide reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error. We design audit procedures to respond to the risk of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error.

Our audit work will focus on laws and regulations that could give rise to a material misstatement in the Pension Fund's financial statements and may include, where appropriate:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations
- Enquiries of management, those charged with governance and the Pension Fund's legal advisers
- Agreement of the financial statement disclosures to underlying supporting documentation
- Review of minutes of Pension Fund Committee meetings throughout the year and of correspondence with regulatory authorities
- Written representations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.



ACCOUNTING ESTIMATES

Revision to ISA (UK) 540 means that we may need to update our approach to the audit of accounting estimates - including confirmation and documentation of our understanding of the Pension Fund's estimation process.

We will need to obtain an understanding of how you control your estimation process including not only the design and implementation of the process, but also the policies and procedures you put in place to satisfy yourself that each step in the process is properly applied, and that the resulting accounting estimates are reasonable.

For significant accounting estimates, particularly those that are complex or where there is a high degree of estimation uncertainty we will also make enquiries about how you:

- Make those responsible for deriving or changing your accounting estimates aware of relevant significant transactions, conditions or events
- Review the outcome(s) of previous accounting estimates and respond to the results of that review
- Identify and comply with the relevant requirements in the applicable financial reporting framework regarding your accounting estimates and related disclosures including how they are affected by complexity and your judgment
- Account for regulatory factors relevant to the Pension Fund's accounting estimates including, when applicable, regulatory frameworks related to prudential supervision
- Identify the need for, and apply, specialised skills or knowledge related to accounting estimates, including with respect to the use of a management's expert
- Identify and address risks related to accounting estimates through your risk assessment process

- Identify relevant methods (including models), assumptions and data and the need for changes in them, to select those to apply
- Address the degree of estimation uncertainty in selecting your final point estimates
- Describe in your financial statements matters related to your process for deriving your accounting estimates, and matters related to the degrees of estimation uncertainty underlying your accounting estimates
- Ensure there is oversight and governance in place over management's financial reporting process relevant to accounting estimates.

Under ISA (UK) 540 (revised) our audit approach will involve a more granular risk assessment relating to each significant estimate and separate consideration of the methods (or models) applied in calculating the estimate, the nature, source and reliability of data used and the significance, consistency and appropriateness of assumptions made.

We will also request written representations from you regarding the reasonableness of the methods, significant assumptions and the data used in determining the monetary amounts of accounting estimates, including the related disclosures, in accordance with the CIPFA Code of Practice on Local Authority Accounting 2020/21.

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IT GENERAL CONTROLS

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IT General Controls (ITGCs) are the policies and procedures that relate to many IT applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. They commonly include controls over data center and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

ITGCs are an important component in systems of internal control, and sometimes have a direct impact on the reliability of other controls.

IT assurance is embedded in our audit strategy to ensure the IT systems provide a suitable platform for the control environment and is undertaken in conjunction with our IT Assurance team. Our testing strategy includes a tailored range of data analytics, system configuration and IT environment testing.

We will also obtain an understanding of the information system, including the related business processes relevant to financial reporting, to include:

- SAP
- Altair



FRC ETHICAL STANDARD (DECEMBER 2019)

In December 2019 the FRC published the Revised Ethical Standard 2019 ('ES'), which is applicable from 15 March 2020. There are some transitional provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines as applicable to our audit of the Council.

Key headlines	Impact
The objective, reasonable & informed third party test	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules, or result in an outcome that is inconsistent with the general principles.
Contingent fees	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
Secondments	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
Recruitment and remuneration services	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.

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INDEPENDENCE

Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

We have embedded the requirements of the auditing standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement leads are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement.

This document considers such matters in the context of our audit for the year ending 31 March 2021.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Pension Fund.

We also confirm that we have obtained confirmation that external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Pension Fund.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

Non-audit services

We do not carry out any non-audit services in respect of the Pension Fund.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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MANAGEMENT RESPONSIBILITIES

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Financial reporting

The Council is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which the Pension Fund accounts for its stewardship and use of the public money at its disposal.

The form and content of the Pension Fund's financial statements, and any additional schedules or returns for consolidation purposes, should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Council is also required to prepare schedules or returns to facilitate the preparation of consolidated accounts such as HM Treasury's Whole of Government Accounts.

The Section 151 Officer is responsible for preparing and filing a Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2020/21, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of materially accurate financial statements.



OUR RESPONSIBILITIES

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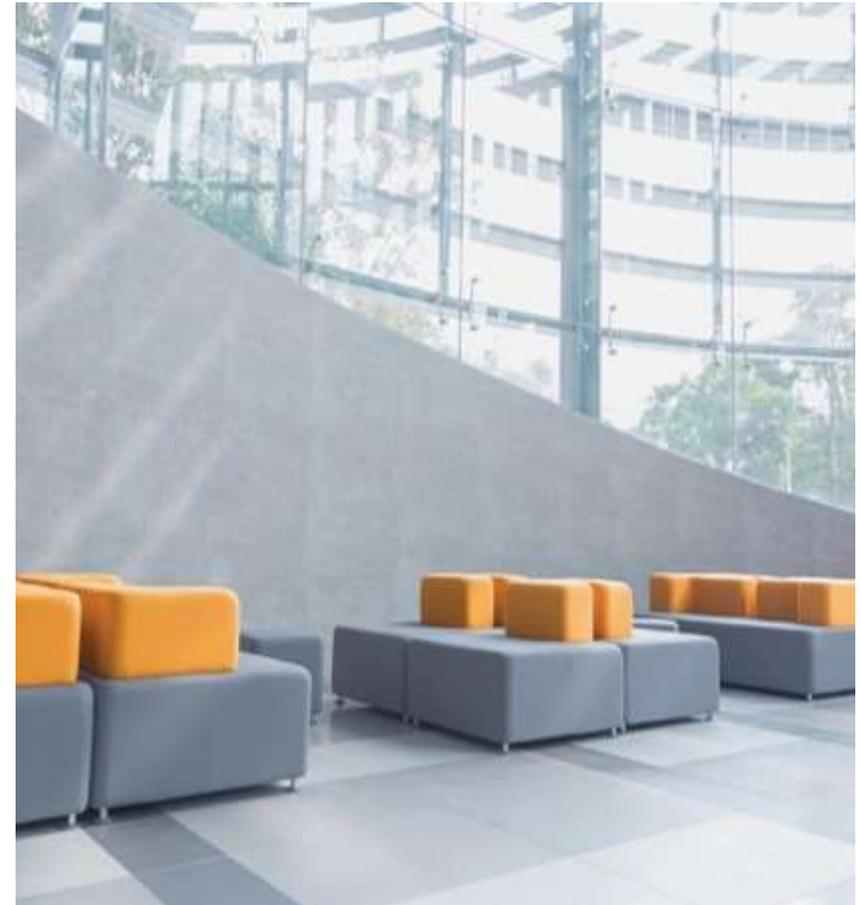
Our responsibilities and reporting - financial reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the General Purposes Committee.

We read and consider the ‘other information’ contained in the Statement of Accounts such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Pension Fund and the General Purposes Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



COMMUNICATION WITH YOU

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Those charged with governance

References in this report to ‘those charged with governance’ are to the Pension Fund as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the General Purposes Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered. We will meet with management throughout the audit process. We will issue regular updates and drive the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Audit Planning Report

The Audit Planning Report sets out all planning matters which we want to draw to your attention including audit scope, our assessment of audit risks and materiality.

Internal Controls

We will consider internal controls relevant to the preparation of financial statements in order to design our audit procedures and complete our work. This is not for the purpose of expressing an opinion on the effectiveness of internal control.

Audit Completion Report

At the conclusion of the audit, we will issue an Audit Completion Report to communicate to you key audit findings before concluding our audit opinion. We will include any significant deficiencies in internal controls which we identify as a result of performing audit procedures. We will meet with you to discuss the findings and in particular to receive your input on areas of the financial statements involving significant estimates and judgements and critical accounting policies.

Once we have discussed the contents of the Audit Completion Report with you and having resolved all outstanding matters we will issue a final version of the report.

TEAM MEMBER ROTATION

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These tables indicates the latest rotation periods normally permitted under the independence rules of the FRC's Ethical Standard.

In order to safeguard audit quality we will employ a policy of gradual rotation covering the team members as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place after
Lisa Blake Audit Partner	1	5 years
Francesca Palmer Manager	1	10 years

Independence - audit quality control

	Number of years involved	Rotation to take place after
Engagement quality control reviewer	2	10 years

MATERIALITY: DEFINITION AND APPLICATION

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Concept and definition

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):

- Narrative disclosure e.g. accounting policies, going concern
- Instances when greater precision is required (e.g. disclosure of senior officers' remuneration and related party transactions).

International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Calculation and determination

We have determined materiality based on professional judgement in the context of our knowledge of the entity, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and audit tests
- Calculate sample sizes
- Assist in evaluating the effect of known and likely misstatements on the financial statements.

Reassessment of materiality

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.

Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope.

Definition of materiality under IFRS

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.

You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

Unadjusted errors

We will communicate to you all uncorrected misstatements identified during our audit, other than those which we believe are ‘clearly trivial’.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

We will obtain written representations from the Pension Fund Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.

We will request that you correct all uncorrected misstatements. In particular we would strongly recommend correction of errors whose correction would affect compliance with contractual obligations or governmental regulations. Where you choose not to correct all identified misstatements we will request a written representation from you setting out your reasons for not doing so and confirming that in your view the effects of any uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as whole.

NEW ACCOUNTING STANDARDS, AUDITING STANDARDS AND OTHER FINANCIAL REPORTING DEVELOPMENTS

We would like to draw to your attention the following summary of key changes to standards, regulations and other financing reporting developments, their effective dates and an indication, based on preliminary discussions with management and our sector understanding, of their possible effect on the annual report.

New Accounting Standards, Auditing Standards and Other Financial Reporting Developments	Expected effect				Effective for periods beginning on or after 1 January	
	None	Low	Medium	High	2020	2021
Amendments to IFRS 3 <i>Definition of a business</i>		●				●
Auditing standard - audit of accounting estimates						
Increased emphasis on understanding management’s processes, systems and controls estimation uncertainty and financial statement disclosures			●		●	
Auditing standard - going concern						
Increased emphasis on evaluation of management’s assessment of the entity’s ability to continue as a going concern			●		●	
Auditing standard - audit reports						
New audit report format with updated conclusion on going concern and reference to irregularities, including fraud			●		●	

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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