

The INTERIM Audit Findings for Shropshire County Pension Fund

Year ended 31 March 2022



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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Shropshire County Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

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

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

Our audit work was completed remotely during June-September. Our findings are summarised on pages 16 to 20. We have not identified any material adjustments to the financial statements impacting the Pension Fund's reported financial position. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete.

We have not identified any material differences however we have identified £19.246m of differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2022 and the valuation statements received from the third-party investment managers. We recognise this is primarily driven by timing differences on closing down the financial statements and receipt of these valuation statements, although we have also noted that for the past two years the roll forward approach used on HarbourVest's private equity portfolio and Global Infrastructure's infrastructure has driven the majority of the differences. The Fund should explore ways to improve estimation techniques to enhance the accuracy of the valuation of fund assets in the accounts in future years.

Management are proposing not to amend the financial statements on the basis that the differences are not material (0.8% of investment assets) and the Pension's Committee and Audit Committee will be asked to confirm their agreement.

However, the balance is between our performance materiality of £17m and headline materiality level of £23m. As part of the Firm's risk management procedures we will need to consult with a Partner Panel to confirm I am able to issue an unmodified auditor's report. We will provide a verbal update on this at the Pensions Committee meeting.

There are no other matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- receipt of the final report from our IT team on the IT systems used by the Fund and the Council
- finalisation of our journals testing
- receipt of management representation letter
- receipt and review of the final version of the Annual Report
- review of the final set of financial statements.

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

Our anticipated audit report opinion at this stage will be unmodified.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

We have not had to alter our audit plan as communicated to you in June 2022.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion. We cannot issue our opinion until audit work on the Council's accounts (as Administering Authority and whose accounts the Pension Fund's accounts form part of) has been completed and therefore we anticipate this being in November 2022. These outstanding items include:

- receipt of management representation letter
- receipt and review of the final version of the Annual Report; and,
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the Treasury and Pension Team staff. The impact of the pandemic has meant that both your team and our audit team faced audit challenges again this year and both teams have had to operate virtually.

2. Financial Statements



Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan on 24 June 2022.

We detail in the table adjacent our determination of materiality for Shropshire County Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	£23m	We determined materiality for the audit of the Pension Fund's financial statements as a whole to be £23m, which is approximately 1% of the Pension Fund's net assets as at 31 March 2022. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in security and value of the Pension Fund's assets.
Performance materiality	£17m	We have determined £17m (75% of materiality) to be an appropriate level for Performance Materiality. The Pension Fund has a stable, experienced team with no history of accounting issues and this continues to be the case.
Trivial matters	£1.15m	We deem matters below 5% of materiality to be sufficiently trivial not to warrant drawing to the attention of the Pensions Committee.



2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p>Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We :</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals analysed the journals listing and determined the criteria for selecting high risk unusual journals identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions <p>Our audit work has not identified any significant issues in respect of management override of controls.</p>
<p>Valuation of Level 3 Investments The Fund formerly revalues its investments annually with quarterly updates reported to Pensions Committee to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable measurable inputs. These valuations therefore represent a significant estimate by management in the financial statements.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2022.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We :</p> <ul style="list-style-type: none"> evaluated management's process for valuing Level 3 investments reviewed the nature and basis of estimated values and considered the assurance management has over the year end valuations provided for those types of investments, to ensure that the requirements of the code are met independently requested year-end confirmations from investment managers and the custodian and considered the role played by the custodian in asset valuation for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date, reconciling those values to the values at 31 March 2022 with reference to known movements in the intervening period where necessary. tested valuations made during the year to see if they had been input correctly into the Pension Fund's asset register where available, reviewed investment manager service organisation reports on design effectiveness of internal controls <p>Our audit work identified that the actual value of investments as at 31 March 2022 had risen by £19.2m from that estimated in the accounts. This was largely attributed to HarbourVest's private equity portfolio and Global Infrastructure's infrastructure portfolio final capital statements not being available when the Pension Fund's accounts presented for audit were closed down. This difference has not been amended in the Pension Fund's Statement of Accounts.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Improper revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

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

Therefore we do not consider this to be a significant risk for Shropshire Pension Fund.

There were no changes to our assessment reported in the audit plan and the audit work performed did not identify any issues in respect of revenue recognition.

Fraud in Expenditure Recognition

Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity that is required to meet financial targets. Having considered the risk factors relevant to the Pension Fund and the relevant expenditure streams, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply.

We therefore do not consider this to be a significant risk for the Pension Fund.

There were no changes to our assessment reported in the audit plan and the audit work performed did not identified any issues in respect of expenditure recognition.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments	<p>The Pension Fund has investments in unquoted equities and pooled investment vehicles that in total are valued on the balance sheet as at 31 March 2022 at £533.8m.</p> <p>These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management, management rely on the valuations provided by the general partners to the private equity and infrastructure funds which the Pension Fund invests in.</p> <p>The value of the investment has increased by £124m in 2021/22, largely due to transfers of assets from Level 2 to Level 3, additional investments made in private equity and infrastructure funds and the general recovery of financial markets following the Covid-19 pandemic.</p>	<p>Management determine the value of Level 3 Investments through placing reliance on the expertise of the investment managers. As such we have sought confirmations of year end valuations from all main mandate managers. We have also tested a sample of Level 3 investments to audited accounts and final capital statements to determine if the values estimated are reasonable. Please see our findings on page 6 where we identified a £19.2m change in the final value of the private equity and infrastructure portfolio from the estimated value in the accounts (3.6% of L3 investments and 0.8% of total Fund investments).</p>	Light Purple

Assessment

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

2. Financial Statements – key judgements and estimates (cont)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments	<p>The Pension Fund has investments in pooled investment vehicles that in total are valued on the balance sheet as at 31 March 2022 at £1,229.3m.</p> <p>These investments are not traded on an open exchange/market and the valuation of the investment is based on the bid price or net asset value as determined by the investment manager.</p> <p>The value of the investment has decreased by £100m in 2021/22, largely due to transfers of assets from Level 2 to Level 1, transfers of assets from Level 2 to Level 3 and the general recovery of financial markets following the Covid-19 pandemic.</p>	<p>Management determine the value of Level 2 Investments through placing reliance on the expertise of the investment managers. As such, we have sought confirmations of year end valuations from all main mandate managers. We have also tested a sample of Level 2 investments to publicly available information. We have further reviewed the service organisation reports for the various investment managers. Only trivial variances were identified from the audit work performed.</p>	Light Purple

Assessment

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

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Pensions Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund, which is included in the Committee papers.
Confirmation requests from third parties	We requested direct confirmations from the custodian and all fund managers which were all received.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
IT Systems	In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. We are awaiting receipt of the final report from our IT team on the IT systems used by the Fund and the Council.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



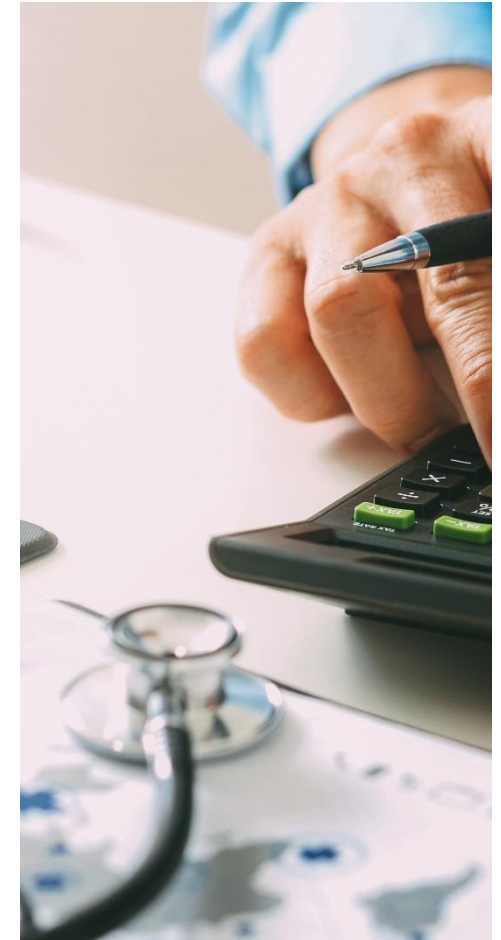
Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> • the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> • the nature of the Pension Fund and the environment in which it operates • the Pension Fund’s financial reporting framework • the Pension Fund’s system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	<p>The Fund has not included comparative disclosures for some of the notes within the Financial Statements (as required by the CIPFA Code). We are satisfied that readers of the accounts would not be misled but recommend the Fund review this in line with best practice for 2022-23.</p> <p>As part of our review of Other Information within the Annual Report we have noted inconsistencies within the key performance data disclosures. These are outside of the statement of accounts and not specifically referred to in our consistency opinion on the Annual Report but we are bringing these to the attention of the Pensions Committee.</p> <p>No other inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report once we have completed our work on the Administering Authority's accounts.</p>



3. Independence and ethics

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

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

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

3. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified which were charged from the beginning of the financial year to the current date as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Non-audit Related			
IAS19 procedures for other bodies admitted to the pension fund.	8,000 (2021/22) and 5,000 (2020/21)	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee proposed for this work of £8,000 (£5,000 in 2020/2021) in comparison to the total fee for the audit of £33,952 and in particular relative to Grant Thornton UK LLP's turnover overall is low. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Pensions Committee. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified two recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	There were differences identified between the fair value of investments reported in the financial statements and the statements received from investment managers. The bulk of these differences were identified on HarbourVest's private equity portfolio and Global Infrastructure's infrastructure portfolio. The estimates had been based on a roll forward from the 30 September 2021 and 31 December 2021 capital statements. No amendment has been made in the Pension Fund's Statement of Accounts.	<p>Explore ways to improve estimation techniques to enhance the accuracy of the valuation of fund assets in the accounts in future years.</p> <p>Management response</p> <p>The draft accounts are prepared at the end of May/early June in order to meet the Council's closedown timetable. The latest HarbourVest valuations available at that time are the September valuations. The March valuations are not received by the Fund until late July/early August. The Global Infrastructure valuations are based on December valuations. Fund Officers have asked HarbourVest and Global Infrastructure Partners if valuations can be provided any earlier in future years but this is unachievable. There is always a difference between the estimates and actuals at the year end and this year is no different. The difference is below the materiality limit and amounts to less than 0.8% of the total fund value so the accounts have not been amended which is consistent with previous years when the amounts identified are below materiality.</p>
● Low	<p>Fund Officers regularly review services provided by Investment Managers and other service providers. As part of this monitoring exercise, management are delegated with the task of reviewing investment manager internal control reports. As part of the audit we were not provided with the below service organisation reports:</p> <ul style="list-style-type: none"> • Blackrock who engage BNYM as their fund administrators (BNYM report not yet provided) • DRC who engage Sanne as their fund administrators (Sanne Group (Luxembourg). The report provided specifically excludes coverage of the fund administrator. 	<p>Matters that could potentially contradict the accuracy of services provided with specific regard to the valuation of investments could go unnoticed where these reports are not reviewed. In consultation with internal audit, the fund should consider reinstating reviews of fund administrator reports.</p> <p>Management response</p> <p>Fund Officers continue to review all external Investment Managers' Internal Control reports each year. The BNYM report has been continually chased and will be received and reviewed shortly. DRC have advised that they are able to share a letter with Grant Thornton for the Sanne Internal Control report. However, at the date of sharing the audit findings report, this remains outstanding. Both of these reports are fund administrators of the investment managers Blackrock & DRC. The Blackrock and DRC internal control reports have been reviewed and there are no issues.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements

● Low – Best practice
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B. Follow up of prior year recommendations

We identified the following issue in the audit of Shropshire County Pension Fund's 2020/21 financial statements, which resulted in a recommendation being reported in our 2020/21 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	There was a difference between the estimated value of the HarbourVest private equity fund and the actual value included in the final capital statement of £45 million. The estimate had been based on a roll forward from the 30 September 2020 capital statement. After we raised this, an amendment was processed within the Council's Statement of Accounts before they were published on 31 July 2021.	Management have utilised the 30 September 2021 valuation adjusted for cash flows to 31 March 2022 to estimate the year-end valuation. This has resulted in an immaterial variance between the estimated valuation and the final valuation as provided by the investment manager.

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments

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

Impact of adjusted misstatements

There were no adjustments made that we are required to report.

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
Reconciliation of transfers between levels 1 and 2 of the fair value hierarchy	Management should ensure all Statement of Accounts disclosures are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.	✓
References to the fund having direct investments in derivatives	Management should ensure that disclosures are specific to the direct assets held by the Pension Fund. In instances where disclosure is deemed to be relevant for users of the accounts, the disclosure should be made clear that the exposure in derivatives is limited to the Pension Fund's investment in pooled vehicles managed by the various investment managers.	✓
Contractual commitments to HarbourVest Partners were overstated by £6m	Management should ensure that disclosures are consistent with the agreements in place with investment managers.	Amendment will be made in final version of AR&A. We will confirm as part of our review of the final version.
The currency risk disclosure did not include foreign currency balances held by Northern Trust totalling £10m	Currency risk represents that risk that future cash flows will fluctuate because of changes in foreign exchange rates. Management should ensure that disclosures reflect a complete picture of the Pension Fund's position at year-end.	Amendment will be made in final version of AR&A. We will confirm as part of our review of the final version.

C. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Pensions Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Differences identified between the value of investments disclosed in the financial statements where some of the values are estimates at 31 March 2022 and the valuation statements received from the third party investment managers.	19,246	19,246	19,246	Not material
Overall impact	£19,246	£19,246	£19,246	

C. Audit Adjustments (continued)



Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Total remaining differences between value of investment assets shown in the accounts and that shown on 31 March 2021 fund capital statements. In many cases this was due to timing differences in estimated and actual values. Fund manager statements were £6.8m higher in value than that shown in the accounts. As assets are revalued at 31 March 2022 there is no impact upon the 2021/22 financial statements.	6,800	6,800	6,800	Not material
We were unable to completely verify three benefit calculations due to the additional evidence being stored on microfiche at Shire Hall and officers not having access to this currently. The value of these elements of the payments was extrapolated to demonstrate the error was not material to the accounts. The total extrapolated value of reduction is shown here. Our testing of benefits in 2021/22 has not identified similar issues.	1,624	1,624	1,624	Based on extrapolation which was not material
Overall impact	£8,424	£8,424	£8,424	

D. Fees

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

Audit fees	Proposed fee	Final fee (Proposed)
Pension Fund Audit	28,952	28,952
Other – remote working	0	5,000
Total audit fees (excluding VAT)	£28,952	£33,952

Non-audit fees for other services	Proposed fee	Final fee (proposed)
Audit Related Services	0	0
Other [IAS 19 letters to auditors in 2021/22]	5,000	8,000
Total non-audit fees (excluding VAT)	£5,000	£8,000

Details of variations in final fees from the proposed fee per the audit plan

We have provided a reconciliation of the audit fees below

- fees per financial statements (£40,985)
- proposed fee variation for remote working (£5,000)
- Proposed fee variation for IAS 19 work (£3,000)
- prior year fees PSAA rebate (-£7,033)
- total fees per schedule (£41,952)
- As reported in our Audit Plan presented in June we noted a potential fee variation to reflect inefficiencies of remote working. We have delivered the audit remotely. We will need to review the final time it has taken to deliver the audit but we anticipate applying the variation. This would be subject to review by PSAA Ltd.
- Following a review of fees for IAS 19 assurances nationally the Firm's Partners have determined that the core work at all Fund's should be charged at £5k with each specific response charged at £1k. We receive three requests and therefore the proposed final fee is £8k. We will review our final costs before confirming this.

