

# Cumbria Local Government Pension Scheme

## Audit Finding Report

**Year ended 31 March 2021**

September 2021



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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 Scheme 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 Cumbria Local Government Pension Scheme ('the Pension Scheme') and the preparation of the Pension Scheme's financial statements for the year ended 31 March 2021 for those charged with governance.

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## Financial Statements

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

- the Pension Scheme's financial statements give a true and fair view of the financial position of the Pension Scheme 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 2020-21. Our findings are summarised in this report. We have identified one misstatement, which management have not adjusted for in the financial statements on the grounds of materiality. This misstatement would increase the Scheme's Net Assets by £19.8 million. The valuation in the financial statements for 6 investment managers was understated. For the impacted investment managers, an estimate had been used for the 31 March 2021 position, using known cash movements, as the actual 31 March 2021 valuation was not available prior to submission of the draft accounts for audit. It is usual practice for certain types of investment to have longer lead times in the reporting to the scheme and custodian. Audit adjustments are detailed in Appendix A. The Audit and Assurance Committee will need to confirm that it agrees with Management's decision not to adjust for this issue, by approving the Letter of Representation, which is included as a separate agenda item.

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

We expect to conclude 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 will be unmodified.

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## 2. Financial Statements

### Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Assurance 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 Scheme's business and is risk based, and in particular included:

- an evaluation of the Pension Scheme's internal controls environment, including its IT systems and controls; and
- 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 2021.

### Conclusion

We have completed our audit of your financial statements and anticipate issuing an unqualified audit opinion.

#### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times. The Accounts have been produced to a very high standard and the finance team have produced good working papers and have been responsive to our audit queries.

## 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. We detail in the table to the right our determination of materiality for the Scheme.

	Pension Scheme Amount (£000)	Qualitative factors considered
Materiality for the financial statements	30,008	1% of Net Asset of Scheme at 31 December 2020. Materiality has been kept under constant review throughout the audit, including on receipt of the draft accounts. We determined that our planning materiality continued to be appropriate.
Performance materiality	22,506	75% of headline materiality
Trivial matters	1,504	5% of headline materiality



## 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

#### Management override of controls

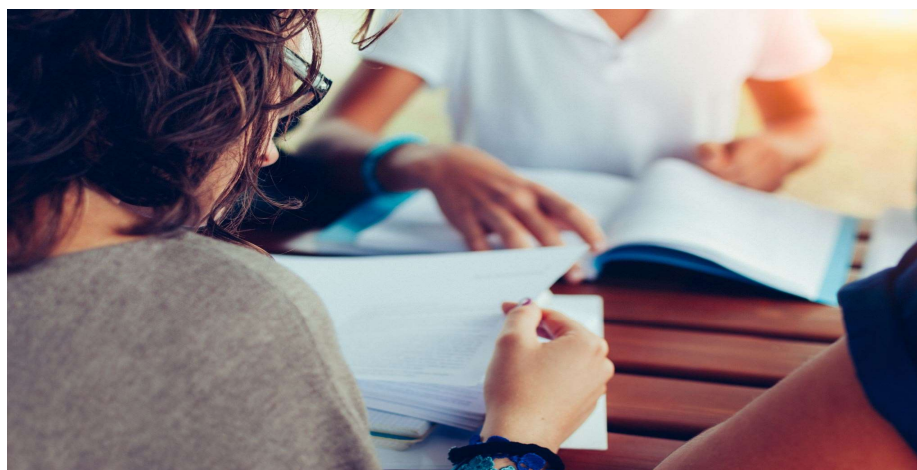
Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Scheme faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

In response to this risk we;

- evaluated the design effectiveness of management's controls over journals;
- analysed the journals listing and determined a criteria for selecting high risk unusual journals;
- tested high risk unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements made by management and considered their reasonableness with regard to corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work did not identify any issues in respect of this significant risk.



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### ISA 240 Fraud in Revenue and Expenditure 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.

We have also rebutted the presumption of fraud in expenditure recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Scheme, 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 Cumbria County Council as the Administering Authority mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for Cumbria Local Government Pension Scheme.

#### Valuation of Level 3 investments (excluding Direct Property)

The Scheme revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.

By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£1.083 billion) and the sensitivity of this estimate to changes in key assumptions.

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

Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2021.

We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.

In response to this risk we:

- evaluated management's processes for valuing Level 3 investments
- reviewed the nature and basis of estimated values and considered what assurance management had over the year-end valuations provided for these types of investments; to ensure that the requirements of the Code were met
- independently requested year-end confirmations from investment managers
- 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. Reconcile those values to the values at 31 March 2021 with reference to known movements in the intervening period
- evaluated the competence, capabilities and objectivity of all material Level 3 Investment Managers as valuation experts
- tested revaluations made during the year to see if they had been input correctly into the Pension Scheme's financial records
- where available reviewed investment manager service auditor report on design effectiveness of internal controls.

The valuation in the financial statements for 6 investment managers was understated by £19.8 million. For the impacted investment managers, an estimate had been used for the 31 March 2021 position, using known cash movements, as the actual 31 March 2021 valuation was not available prior to submission of the draft accounts for audit. We subsequently independently obtained the valuations from the fund managers which identified the difference. It is usual practice for certain types of investment to have longer lead times in the reporting to the scheme and custodian. Further commentary and details of our challenge of management around their estimation technique is included on page 10 of this report.

Our audit work did not identify any issues in respect of this significant risk.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

#### Valuation of Directly Held Property

The Scheme revalues its directly held property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£176.615 million) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of a valuer to estimate the current value as at 31 March 2021.

We therefore identified valuation of directly held property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

### Commentary

In response to this risk we;

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- independently requested year-end confirmations from the direct property manager and evaluated the competence, capabilities and objectivity of their valuation expert
- wrote to the valuation expert to confirm the basis on which the valuations were carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Scheme's valuer's report and the assumptions that underpin the valuation
- reviewed the investment manager service auditor reports on design effectiveness of internal controls; and
- engaged the use of an auditor's valuation expert to support our work on direct property valuations.

Further commentary and details of our challenge of management around their estimation technique is included on page 9 of this report.

Our audit work did not identify any issues in respect of this significant risk.



## 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
<b>Valuation of Direct Property £176.615 million</b>	<p>The Fund invests in direct property holdings for rental income and capital growth, and to maximise diversification thereby reducing the risk across the portfolio. At 31st March 2021 the portfolio was valued at £176.615 million and included 24 properties ranging from £1.500 million to £17.00 million each. These properties cover a mix of sectors such as offices, industrial, high street retail units and retail warehouses, and are also geographically spread across England and Scotland.</p> <p>The properties are valued at fair value at 31 March 2021 by an independent valuer, CBRE Ltd in accordance with the Royal Institution of Chartered Surveyors' Valuation - Global Standards (incorporating the International Valuation Standards) and the UK national supplement ("the Red Book") current as at the valuation date. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's-length terms.</p> <p>Each valuation has been prepared on the basis of "Fair Value", which is defined as: "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" in International Financial Reporting Standard (IFRS) 13. "Fair Value", for the purpose of financial reporting under International Financial Reporting Standards and UK GAAP (FRS 102), is effectively the same as "Market Value", which is defined as: "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion." The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date. No allowances have been made for any expenses of realisation or for taxation which might arise in the event of a disposal. The properties are valued individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in "lots" or as a whole. Acquisition costs have not been included in the valuation. No account has been taken of any inter-company leases or arrangements, or of any mortgages, debentures or other charges. No account has been taken of the availability or otherwise of capital grants.</p>	<p>Our detailed audit work in respect of Direct Property is described on page 8. In conjunction with our Auditor's Expert valuer, we have reviewed the method and assumptions adopted by the Scheme's valuer and are satisfied they are appropriate. We have tested a sample of valuations, including key inputs and assumptions.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p>

### Assessment

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

# 2. Financial Statements – key judgements and estimates

## Significant judgement or estimate

## Summary of management's approach

## Audit Comments

## Assessment

Level 3 Investments (excluding direct property) – £1.083 billion

The Pension Scheme has investments in unquoted equity investments, limited partnerships and indirect property. These investments in total are valued on the Net Assets Statement as at 31 March 2021 at £1.083 million. 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 use various valuation techniques that require significant judgement in determining appropriate assumptions.

Investments in private equity funds and unquoted limited partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

Limited partnerships fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership. All valuations are performed in accordance with the appropriate Standards of Professional Appraisal Practices ("USPAP") and International Valuation Standards ("IVS") or provides an IPEVC (International Private Equity and Venture Capital) (or other recognised industry standard) compliant valuation as applicable. The General Partner is responsible for preparing financial statements which give a true and fair view in accordance with International Financial Reporting Standards and applicable laws. Fund officers review the Annual Reports of the partnerships which have been independently audited.

Valuations for Private Equity investments are usually received at least a quarter in arrears, and these investments are valued at an estimate to the fair value at 31 March, as best as is available at the time of preparation. For 31 March 2021, the 31 December 2020 valuations have been the latest available for the private equity investments shown at Note 10 (5.7% of the net investments assets), further cash transactions up to 31 March are reflected, but to remain prudent no assumptions for a value uplift have been incorporated into the estimate to fair value.

Infrastructure investments have been impacted overall to a lesser degree by the global pandemic, as these include operational assets in renewable and contracted energy, power distribution and utilities. For 31 March 2021, the 31 December 2020 valuations have been the latest available for £101.656m infrastructure investments shown at Note 10 (3.3% of the net investments assets), further cash transactions up to 31 March are reflected, but to remain prudent no assumptions for a value uplift have been incorporated into the estimate to fair value.

As outlined on page 7, our audit work identified that the valuation in the financial statements for 6 investment managers was understated by £19.8 million.

Audit procedures carried out are described on page 7. We have challenged the Scheme as to whether estimation processes could be strengthened for these Investments. The movement in these investment values post submission of the draft accounts, has an impact on both the Scheme's accounts and also those of some of the Scheme's employers, who must disclose their share of the Scheme Liability on an IAS19 basis in their own accounts. Whilst movements may not be material for the Scheme, they often are for employers in respect of their IAS19 reporting requirements.

The Scheme has provided a robust response and determined that the current approach of using the latest available valuation, adjusted for known cash movements, to be the most accurate estimation basis. Key considerations include:

- The value of investments in 2019/20 and 2020/21 have been particularly volatile given the COVID-19 pandemic. It is hoped that from 2021/22 there will be less volatility in the value of Level 3 investments.
- There has been no consistency between Investment Managers for their updated investment performance in Q4 with the Fund being advised of movements ranging from -15% to +61% in the final quarter of 2020/21. It would not be possible to apply a single index to these Investments.
- Absence of further information from fund managers to allow Officers to accurately estimate individual Investment movements.

We accept Management's response and that the current approach to estimating the Value of Level 3 Investments is reasonable.

We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

## 2. Financial Statements - key judgements and estimates

### Significant judgement or estimate

### Summary of management's approach

### Audit Comments

### Assessment

#### Level 2 Investments – £1.741 billion

The Pension Scheme has investments in pooled funds where the underlying assets are quoted assets such as equity and fixed interest bonds. These assets are valued on the Net Assets Statement as at 31 March 2021 at £1.741 billion. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management rely on the information which they are given from the various fund managers.

Management determine the value of Level 2 Investments through placing reliance on the expertise of the various fund managers. As such we have sought confirmations of year-end valuations. We have also evaluated the competence, capabilities and objectivity of all material Level 2 Investment Managers as valuation experts. Where possible, we have carried out investment price testing for a sample of level 2 investments.

We have found no issues with this testing and are satisfied that the valuations are appropriately disclosed in the accounts.

We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

## 2. Financial Statements - key judgements and estimates

### Significant judgement or estimate

### Summary of management's approach

### Audit Comments

### Assessment

Present Value of Past Service Liabilities Estimate

The Fund is required to include within its accounts an estimate of the future pensions payable based upon estimates that have accrued as at 31st March 2021. The Fund's financial statements include two separate estimates of the value of these past service liabilities:

- 1) a valuation based on the methodology used as part of the triennial valuation of the Fund (the last valuation was as at 31st March 2019), which is based on assumed growth of the assets held by the Fund; and
- 2) a valuation calculated in compliance with IAS19 which is based on the forecast growth of bond yields.

Valuation Basis £2.861 billion

IAS 19 Basis £4.129 billion

Mercer Ltd design the model used in respect of this accounting estimate in line with the requirements of the accounting standards and provide details of this to the Fund. The financial statements are required to detail the valuation of past service liabilities based on both the actuarial valuation ("Valuation Basis") and based on the requirements of IAS19. The methodology taken by Mercer Ltd to value past service liabilities has remained materially unchanged from 2019/20 for both the Valuation Basis and the IAS19 basis. There have been some minor amendments to the assumptions used by Mercer Ltd and these have been taken in compliance with the Technical Actuarial Standard 100 as issued by the Financial Reporting Council (FRC).

**Valuation Basis:** The valuation of the Fund at 31st March 2021 is based on rolling forward the results of the last actuarial valuation of the Scheme, as at 31st March 2019. Officers liaised with Mercer Ltd to set the assumptions used in the 2019 valuation of the Fund. These assumptions were approved by Pensions Committee in September 2019 for use in the 2019 valuation of the Fund. These assumptions are detailed in Note 23 of the financial statements.

**IAS 19 Basis:** The IAS 19 valuation of past service liabilities uses different, and more generic, assumptions that those used for the valuation basis. The discount rate, inflation and pension increase assumptions are derived by Mercer Ltd in line with the requirements of the accounting standard. The remaining assumptions (demographic and salary growth) are based on the ongoing funding assumptions, which Mercer Ltd confirmed are appropriate for the accounting estimate. There have been some minor amendments to the assumptions used by Mercer Ltd and these have been taken in compliance with the Technical Actuarial Standard 100 as issued by the Financial Reporting Council (FRC). These assumptions are detailed in Note 23 of the financial statements.

In understanding how management has calculated the estimate of the net pension liability we have:

- assessed the use of a management's expert actuary and their calculation approach;
- used PwC as auditors expert to assess actuary and assumptions made by the actuary
- assessed the completeness and accuracy of the underlying information used to determine the estimate, and
- assessed the adequacy of disclosure of estimate in the financial statements.

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 Audit and Assurance Committee. We have not been made aware of any 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 Scheme, which is included in the Audit and Assurance Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to all investment fund managers. This permission was granted and the requests were sent and returned with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Pension Scheme's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were 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 considered Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.</li> </ul> <p>Practice Note 10 states that, if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Scheme meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Pension Scheme and the environment in which it operates</li> <li>the Pension Scheme's financial reporting framework</li> <li>the Pension Scheme's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

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

Issue	Commentary
Disclosures	<p>Our work to date has found no material omissions in the financial statements. A small number of presentational changes were made to improved the overall consistency and readability of the accounts.</p> <p>For key management personnel as disclosed in Note 16, we have noted that the Scheme has used contributions as an estimate for post-employment benefits. This area is subject to discussion within the sector but the CIPFA example accounts do note that assuming that most key personnel identified will belong to the LGPS or other defined benefit pension schemes, disclosure of employer contributions payable in the period will not generally represent an accurate basis for estimating post-employment benefits. We are satisfied that readers will not be misled by the current disclosures but have discussed this with management as an area that will be kept under review.</p>
Matters on which we report by exception	<p>We are required to give a separate opinion for the Pension Scheme 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 Schemes Annual Report alongside our accounts opinion.</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

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

- Richard McGahon was the external audit manager for Cumbria County Council, the Administering Authority, between 1 June 2018 and 9 July 2018. Richard McGahon applied for the post of Head of Internal Audit at Cumbria County Council and was successfully appointed to that post on 10 December 2018. Given Richard McGahon has no involvement in accounts preparation, and as our team does not place direct reliance on internal audit work, the real and perceived threat to independence, objectivity and integrity is low. However, there remains a perceived threat of independence, and this has been mitigated by putting in place the following safeguard, the appointment of an Engagement Quality Control Reviewer, who is another Engagement Lead who acts as an additional review partner.
- Jamie Wright was the external audit in-charge for Cumbria County Council, the Administering Authority, between December 2016 to September 2019 and the external audit manager between September 2019 to November 2019. In November 2019, Jamie applied for the post of Group Finance Manager at Cumbria County Council and was successfully appointed to the post on 19 November 2019. As the Director of Finance has confirmed that Jamie will have no involvement in the Pension Scheme, the real and perceived threat to independence, objectivity and integrity is low. However, there remains a perceived threat of independence, and this has been mitigated by putting in place the following safeguard, the appointment of an Engagement Quality Control Reviewer, who is another Engagement Lead who acts as an additional review partner. If Jamie's role changes at all to include work on the Pension Scheme, we will re-consider the safeguards put in place in relation to this issue.

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

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

Details of fees charged are detailed in Appendix B.

## 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)

## 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 Scheme. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats. These services are consistent with the Pension Scheme's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

Service	Fees £	Threats identified	Safeguards
Non-audit Related			
IAS19 Assurance letters for Scheduled Bodies	8,000	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 for this work is £8,000 in comparison to the total fee for the audit of £32,207 and in particular relative to Grant Thornton UK LLP's turnover overall. 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.



# Appendices

# A. 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 adjusted misstatements.

## Impact of prior year unadjusted misstatements

Our prior year audit identified that the valuation in the financial statements for 7 investment managers was overstated by £1.468 million, as the actual 31 March 2020 valuations had not been used. Net Investment Assets in the draft accounts were valued at £2.563 billion, our audit work identified that the valuation should have been £2.562 billion. For the impacted investment managers, an estimate had been used for the 31 March 2020 position, using known cash movements, as the actual 31 March 2020 valuation was not available prior to submission of the draft accounts for audit. Management did not adjust for this issue on the grounds of materiality and this difference is reflected in the Scheme's Opening Balance at 1 April 2021. This has no impact on the closing balance at 31 March 2021, as new valuations have been provided for all Investment Managers.

## Misclassification and disclosure changes

A small number of presentational changes were made to improved the overall consistency and readability of the accounts.

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit, which have not been made within the final set of financial statements. The Audit and Assurance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Scheme		Impact on total net assets £'000	Reason for not adjusting
	Account £'000	Net Asset Statement £' 000		
The valuation in the financial statements for 6 investment managers was understated by £19.8 million, as the actual 31 March 2021 valuations had not been used. For the impacted investment managers, an estimate had been used for the 31 March 2021 position, using known cash movements, as the actual 31 March 2021 valuation was not available prior to submission of the draft accounts for audit. It is usual practice for certain types of investment to have longer lead times in the reporting to the scheme and custodian.				The estimated values of the assets are not materially different from those reported in the accounts, they represent an understatement of assets of less than 0.65% (of £3.067 billion) compared to the values published in the draft accounts. Given the general volatility of asset values at any point in time, the Fund considers it not necessary to adjust for such immaterial differences. This is consistent with the approach taken in previous years.
(Profit)/ losses on disposal of investments and changes in the market value of investments	(19,800)			
Investment assets		19,800	19,800	
<b>Overall impact</b>	<b>(£19,800)</b>	<b>£19,800</b>	<b>£19,800</b>	

# B. Fees

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

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Pension Scheme Audit	£32,207	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£32,207</b>	<b>TBC</b>

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
IAS19 Assurance letters for Scheduled Bodies	£8,000	TBC
<b>Total non-audit fees (excluding VAT)</b>	<b>£8,000</b>	<b>TBC</b>

Audit fees disclosed in Note 8 to financial statements is £33,000. This reflects the above proposed fee and £500 in relation to additional fee for the 2019/20 audit, which was not accrued for in the Scheme's 2019/20 financial statements. A more detailed breakdown of the fee is included below.

Scale fee published by PSAA	£18,957
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Raising the bar/regulatory factors	£3,000
Enhanced audit procedures for Directly held Property	£1,500
Pensions expert advice	£750
<i>New issues for 2020/21</i>	
Increased audit requirements of revised ISAs	£8,000
<b>Proposed increase to Scale fee</b>	<b>£13,250</b>
<b>Total audit fees (excluding VAT)</b>	<b>£32,207</b>

# C. Audit opinion

Our audit opinion is included below. We anticipate we will provide the Pension Scheme with an unmodified audit report

Independent auditor's report to the members of Cumbria County Council on the pension scheme financial statements of Cumbria Local Government Pension Scheme

## Opinion

We have audited the financial statements of Cumbria Local Government Pension Scheme (the 'Pension Scheme') administered by Cumbria County Council (the 'Authority') for the year ended 31 March 2021, which comprise the Pension Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Scheme during the year ended 31 March 2021 and of the amount and disposition at that date of the scheme's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Scheme's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Scheme to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Scheme's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Scheme. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Scheme financial statements and the disclosures in the Pension Scheme financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the Pension Scheme financial statements is appropriate.

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

# C. Audit opinion

## Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts and Annual Governance Statement, other than the Pension Scheme's financial statements, our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. Our opinion on the Pension Scheme's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Scheme's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Scheme's financial statements or our knowledge of the Pension Scheme obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Scheme financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General [the Code of Audit Practice]

In our opinion, based on the work undertaken in the course of the audit of the Pension Scheme's financial statements and our knowledge of the Pension Scheme, the other information published together with the Pension Scheme's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Scheme financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Scheme.

## Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, as set out on [page 24](#), the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Scheme's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Scheme's financial statements, the Director of Finance is responsible for assessing the Pension Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Scheme will no longer be provided.

The Audit and Assurance Committee is Those Charged with Governance for the Pension Scheme. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

# C. Audit opinion

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Scheme's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Scheme and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards) as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

- We enquired of senior officers and the Audit and Assurance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, Internal Audit and the Audit and Assurance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Scheme's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and fraud in revenue recognition. We determined that the principal risks were in relation to:
  - unusual journals with specific risk characteristics and large value journals; and
  - significant accounting estimates and critical judgements made by management.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Finance has in place to prevent and detect fraud;
  - journal entry testing, with a focus on unusual journals with specific risk characteristics and large value journals;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation level 3 investments, valuation of directly held property and actuarial present value of promised retirement benefits;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

# C. Audit opinion

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and accounting estimates related to valuation level 3 investments, valuation of directly held property and actuarial present value of promised retirement benefits;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the local government pensions sector;
  - understanding of the legal and regulatory requirements specific to the Pension Scheme including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Scheme's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Gareth Kelly, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Glasgow

Xx September 2021

# C. Audit opinion- Annual Report

## Independent auditor's report to the members of Cumbria County Council on the consistency of the pension scheme financial statements of Cumbria Local Government Pension Scheme included in the Pension Scheme Annual Report

### Opinion

The pension scheme financial statements of Cumbria Local Government Pension Scheme (the 'pension scheme') administered by Cumbria County Council (the "Authority") for the year ended 31 March 2021, which comprise the Pension Fund Account, the Net Assets Statement and the notes to the financial statements, including a summary of significant accounting policies are derived from the audited pension scheme financial statements for the year ended 31 March 2021 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension scheme financial statements are consistent, in all material respects, with the audited financial statements, in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 and applicable law.

### Pension Scheme Annual Report – Pension scheme financial statements

The Pension Scheme Annual Report and the pension scheme financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension scheme financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

### The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the pension scheme financial statements in the Statement of Accounts in our report **xx** September 2021.

### Director of Finance's responsibilities for the pension scheme financial statements in the Pension Scheme Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Director of Finance of the Authority is responsible for the preparation of the pension scheme financial statements, which must include the Pension Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension scheme financial statements in both the Statement of Accounts and the Pension Scheme Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 20120/21.

### Auditor's responsibility

Our responsibility is to express an opinion on whether the pension scheme financial statements in the Pension Scheme Annual Report are consistent, in all material respects, with the audited pension scheme financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Gareth Kelly, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Glasgow

**Xx** September 2021



# D. Management Letter of Representation

## Cumbria Local Government Pension Scheme Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Cumbria Local Government Pension Scheme for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of level 3 investments, valuation of direct property and present value of past service liabilities.

vi. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for level 3 investments and determined that the approach adopted in preparing the draft 2020/21 financial statements continued to be the most appropriate. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vii. Except as disclosed in the financial statements:

- a. there are no unrecorded liabilities, actual or contingent
- b. none of the assets of the Fund have been assigned, pledged or mortgaged
- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

ix. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

x. We have considered the matters included in your Audit Findings Report in respect of the differences in asset valuations as the result of more recent updated information being available. We have not adjusted the financial statements for this matter as it is immaterial to the results of the Fund and its financial position at the year-end and, in respect of investment valuations, there are no indications of weakness in management's arrangements for estimating investment values at year end. The financial statements are free of material misstatements, including omissions.

# D. Management Letter of Representation

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :

- a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

## Information Provided

xiv. We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the Fund via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, from whom you determined it necessary to obtain audit evidence.

xv. We have communicated to you all deficiencies in internal control of which management is aware.

xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxi. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

xxii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

xxiii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## Approval

The approval of this letter of representation was minuted by the Audit and Assurance Committee at its meeting on 27 September 2021.



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