





North Yorkshire Pension Fund

Draft Report to the Audit Committee on the 2021/22 audit

Issued on 17 November 2022

Contents

01	Report	
●	Executive summary	04
●	Responsibilities of the Audit Committee	05
●	Materiality	06
02	Significant audit risk	
●	Significant audit risk	08
03	Audit focus areas	
●	Audit focus areas	10
04	Other findings	
●	Other findings	14
05	Other risks	
●	Other risks	17

06	Maintaining audit quality	
●	Maintaining audit quality	19
●	Purpose of our report and responsibility statement	20
	Topical Matters	21
	Appendices	25





Report

Executive summary

The key messages in this report (1/2)

Nicola Wright
Lead audit partner



Audit quality is our number one priority.

We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our Report to the Audit Committee for the 2021/22 audit of North Yorkshire Pension Fund (the “Fund”). I would like to draw your attention to the key messages of this paper:

Audit scope

Our reporting responsibilities as auditor of the Fund are to:

- Form an opinion on the statutory financial statements of the Fund. The financial statements are prepared under the Code of Practice on Local Authority Accounting 2021/22 (“the Code”) issued by CIPFA and Local Authority (Scotland) Accounts Advisory Committee (LASAAC); and
- Reporting to the Audit Committee on certain additional matters, including any unadjusted errors over our reporting threshold (“RT”), our independence and any other issues we consider should be brought to their attention.

Status of the audit

We have the following matters to complete as a part of our audit:

- Completion of Investments cash reconciliation testing, concluding on stale price adjustments as well as disclosure testing;
- Receipt of pensioner payroll information;
- Receipt of responses from North Yorkshire County Council and City of York Council to the queries sent in relation to detailed contributions testing, member reconciliation, and pay rise.
- Receipt of information for Journal Entry Testing;
- Receipt of minutes of all Audit Committee’s meetings held during the year and post year end;
- Completion of Internal Quality Assurance procedures, including review processes and follow-up queries arising from review;
- Review of the updated final version of the financial statements;
- Receipt and review of the signed Letter of Representation from the Audit Committee; and
- Concluding on ancillary areas of the file.

Independence

We confirm that we are independent of the Fund and that our objectivity has not been compromised for the year ended 31 March 2022.

Executive summary

The key messages in this report (2/2)

Our conclusion

As set out on the previous page we do have procedures outstanding and will report to management should any further matters arise as we complete our work.

Subject to the satisfactory receipt and the completion of the items on slide 4, we expect to issue an unmodified audit opinion on the Fund included within the financial statements of North Yorkshire County Council (the “Council”). Our procedures on the Fund’s annual report will be undertaken following signing of the Council’s financial statements.

In reaching our conclusions, we considered the control observations and the results from our testing on pages 7 to 17. In addition, we noted:

- The significant accounting judgements and estimates appear reasonable; and
- There is one uncorrected adjustment above our reporting threshold to date as per page 11, however this is currently being discussed with management. There are no uncorrected disclosure deficiencies.

We will provide a Final Report on completion of the outstanding procedures.

Russian invasion of Ukraine

The Russian invasion of Ukraine is impacting upon global financial markets. To date the most significantly affected investments have been those directly linked to Russia and Ukraine – government bonds issued by those countries and companies based there or with significant operations there. Many emerging markets funds also have some exposure to Russia.

As a result of this, we have reviewed the impact of this event during the course of our audit with a particular focus on valuation and liquidity risk, reputational risk and disclosure. We are satisfied that the impact on the Fund and any exposure to these investments is minimal.

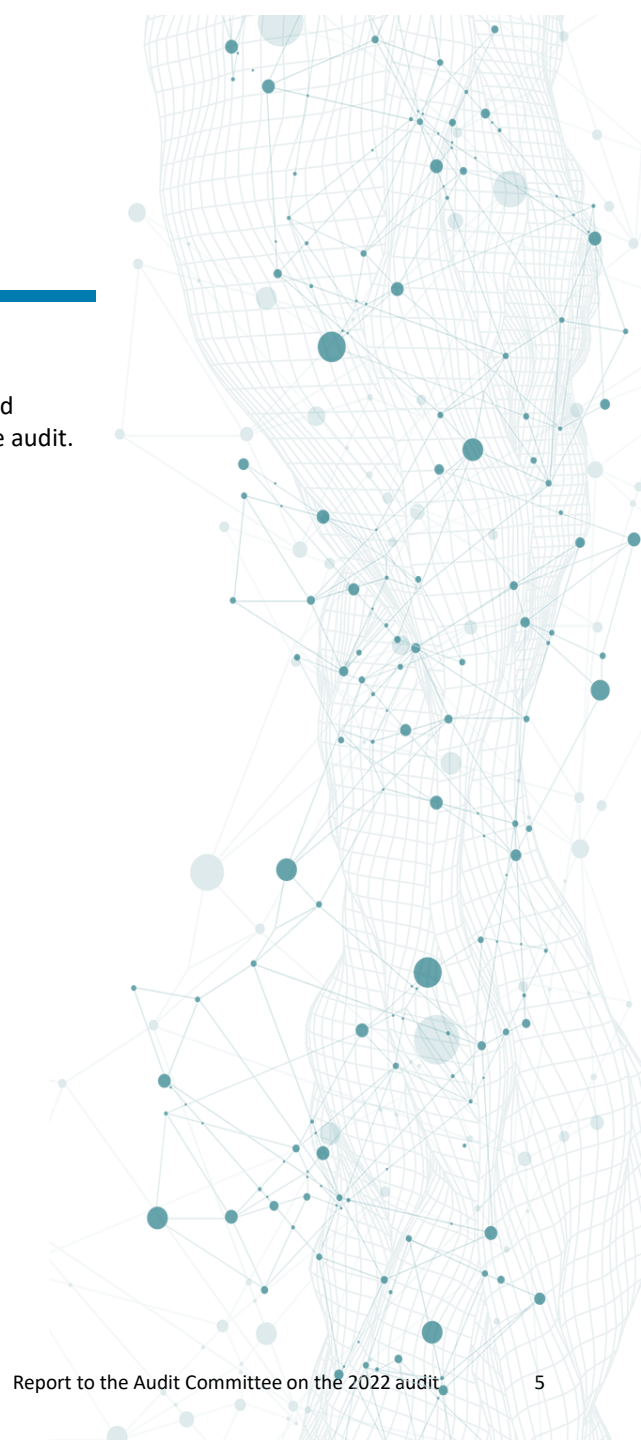
Gilt crisis

The market’s response to the Government’s 23 September 2022 ‘mini-budget’ resulted in significant disruption to some funds used by Pension Schemes, including liability-driven investment (“LDI”) funds. Significant increases in the yields (or interest rates) on government gilts have decreased prices. As a result, some LDI managers made large collateral calls to maintain client’s required hedging levels.

We have analysed the investment portfolio and noted that the Fund does not implement an LDI strategy, hence does not hold any LDI investments. Therefore, the Fund is not significantly impacted by the recent gilt crisis.

Thank you

I would like to extend my thanks to the Fund management for their assistance during the audit.



Materiality

Our approach to materiality

BASIS OF OUR MATERIALITY BENCHMARK

- We set materiality for our opinion on the financial statements as £46.3m (2021: £45.1m), based on professional judgement, the requirements of auditing standards and the net assets of the Fund. These figures are based on the 31 March 2022 (31 March 2021) financial statements.
- We have used 1% (2021: 1%) of Fund net assets as the benchmark for determining our materiality levels.

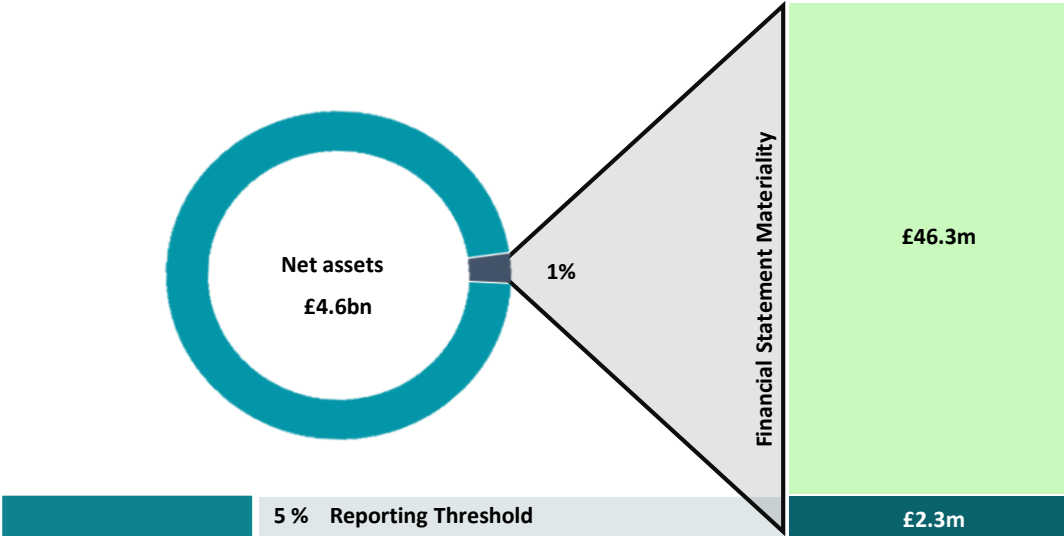
The basis for our materiality calculations is the same as the previous year.

REPORTING TO THOSE CHARGED WITH GOVERNANCE

- Within this report, as part of our audit of the financial statements, we communicate all misstatements found in excess of our reporting threshold (“RT”) of £2.3m (2021: £2.3m). This threshold is set at 5% of our materiality level above.
- Auditing standard also require us to highlight any uncorrected disclosure deficiencies to enable the Audit Committee to evaluate the impact thereof.
- There is one uncorrected adjustment above our reporting threshold to date as per page 11, however this is currently being discussed with management. There are no uncorrected disclosure deficiencies. There were no corrected misstatements.

MATERIALITY CALCULATION

Although materiality is the judgement of the audit partner, the Audit Committee must be satisfied the level of materiality chosen is appropriate for the scope of the audit.





Significant audit risk

Significant risk

Management override of controls



Risk identified

In accordance with ISA 240 (UK) management override is always a significant risk for financial statement audits. The primary risk areas surrounding the management override of internal controls are over the processing of journal entries and the key assumptions and estimates made by management.



Response of those charged with governance

The financial reporting process in place has an adequate level of segregation of duties.



Deloitte comment

As noted on page 4, we are awaiting information in order to complete our testing in this area. We will provide a verbal update on progress at the Audit Committee meeting.



Deloitte response and challenge

In order to address the significant risk we are :

- making inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- ensuring that there is an appropriate level of segregation of duties over processing journal entries to the financial statements throughout the year;
- testing the design and implementation of controls around the investment and disinvestment of cash during the year;
- testing the design and implementation of key controls in place around journal entries and key management estimates;
- performing a retrospective review of accounting estimates to assess the historic accuracy of management's estimates;
- utilising Spotlight, our data analytics software, in our journals testing to interrogate 100% of journals posted across the Fund. This uses intelligent algorithms that identify higher risk and unusual items;
- reviewing the accounting estimates for bias, that could result in material misstatement due to fraud, including whether any differences between estimates best supported by evidence and those in the financial statements, even if individually reasonable, indicated a possible bias on the part of management; and
- reviewing related party transactions and balances to identify if any inappropriate transactions had taken place.



Audit focus areas

Audit focus areas (1/3)

Completeness and accuracy of contributions



Risk identified

There is some complexity surrounding the accuracy and completeness of employee and employer contributions received by the Fund. The employer primary and secondary contribution rates are dictated by the actuarial valuation, and these vary between the contributing employers. Employee contributions are based on varying percentages of employee pensionable pay, this can vary month to month and the Fund has no oversight of the individual employer payrolls.



Deloitte response and challenge

To address this area of audit focus we are:

- reviewing the design and implementation of key controls over the contribution process;
- performing an analytical review of the employer and employee normal contributions received in the year, basing our expectation on the prior year audited balance, adjusted for the movement in active member numbers, contribution rate changes and any average pay rise awarded in the year; with the latter (pay rise testing) yet to be completed;
- recalculating individual contribution deductions for a sample of active members, where appropriate; and
- testing the reconciliation of the total number of active members between the membership records and the employer payroll records.



Deloitte comment

As noted on page 4, our testing in this area is ongoing. We will provide a verbal update on progress at the Audit Committee meeting.

Audit focus areas (2/3)

Valuation of Alternative Investments



Risk identified

Within this portfolio is a range of alternative investments, including private equity and debt funds as well as limited partnerships and hedge funds. On 31 March 2022, these totalled c.£1.2bn. These funds do not have publicly available prices and are often infrequently priced increasing the risk of stale pricing.



Deloitte response and challenge

To address this area of audit focus we:

- reviewed the Internal Controls report for BCPP and performed walkthroughs to independently evidence for a sample of key transactions and investments;
- performed independent valuation testing for a sample of year end alternative fund holdings by rolling forward the valuation as per the latest audited accounts using cashflows and an appropriate index as a benchmark; and
- are assessing stale price adjustments to be posted to the financial statements.



Deloitte comment

The alternative investments are often subject to stale pricing, due to infrequent pricing. Most of these investments were included in the 31 March 2022 draft financial statements as at 30 September 2021 prices. Accounting standards allow stale pricing, provided no more up-to-date information is available, and during our testing we did identify stale price adjustments. These are currently being discussed with management, they are not expected to be material but they are expected to be above our reporting threshold.

We also identified a difference between the custodian and investment manager reports amounting to £11.4m, which is currently being discussed with management.

We have no other matters to bring to the attention of the Audit Committee.

Audit focus areas (3/3)

Accuracy of investment transactions including further transitions to BCPP



Risk identified

The volume and variety of transactions including further transitions to BCPP could lead to a risk of incomplete or inaccurate reporting of transactions or balances at the year-end.



Deloitte response and challenge

To address this area of audit focus we:

- reviewed the Internal Controls report for BCPP and performed walkthroughs to independently evidence for a sample of key transactions and investments;
- agreed the year end valuations and sales and purchases totals in the accounts to the reports received directly from the investment managers and BNYM as custodian, and reconciled these to the independent confirmations received from the investment managers; and
- are performing a unit/cash reconciliation in which the opening investment balances are reconciled to the closing investment balances by taking into account the unit/cash movements that occurred during the year (i.e., purchases, sales, change in market value).



Deloitte response

The pensions team does not perform investment unit reconciliations or review one performed by the custodian, instead relying on review of cash movements. This increases the risk that an investment transaction goes unnoticed, as the change in market value is effectively a balancing figure in the annual reconciliation. We recommend that the pensions team performs a regular unit reconciliation of the investment holdings, thus ensuring completeness of transactions.

Except for the above, we have not identified any findings relating to the accuracy of investment transactions to date, to report to the Audit Committee, however our cash reconciliation is still ongoing.

01

02

03

04

05



Other findings

Other Findings

Monthly bank reconciliations have not been completed since October 2021



Risk identified

We noted that in the current year, due to staff absence, the bank reconciliation process has been delayed and the monthly bank reconciliations have not been completed since October 2021. Management's intention was therefore to complete a final reconciliation at the year-end rather than monthly reconciliations from October onwards.

A lack of regular reconciliations could lead to a delay in errors being identified, and late or incorrectly accounted for payments.



Recommendation and Audit Response

We understand that the absence of a key staff member has resulted in this control deficiency. We recommend that an alternative team member is allocated to have a full and complete understanding of key tasks and the timing of these in order to be able to cover any further absence. This would ensure completeness of cash accounting records, including information about bank balances, cash on hand and reconciling items monthly and at year end.

Whilst we note the above, in order to gain reasonable assurance over the completeness of the cash accounting records at the year end, we obtained the March 2022 bank reconciliation prepared by the management and agreed the balance as per the reconciliation to the March 2022 bank statement and external bank confirmation.

Prior year findings

Follow up on prior year findings

Finding	Recommendation	Follow up
The pensions team does not perform a unit reconciliation of investment holdings, relying instead on reporting prepared by the global custodian, BNYM.	We recommend that the pensions team performs a regular unit reconciliation of the investment holdings, thus ensuring completeness of transactions.	No change. We continue to report this finding in the current year – see page 12.



Other risks

Other risks (1/1)

Other risk	Area of Focus	Risk and procedures
Going Concern	As auditors, we are required to confirm in our audit report that the going concern basis of the financial statements is appropriate. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the entity and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the entity. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary.	In order to address the risk we are: <ul style="list-style-type: none">• reviewing the going concern assessment prepared by the Audit Committee;• examining the latest publicly available information regarding the financial position of the principal employer;• analysing the latest funding position of the Fund; and• reviewing minutes of key meetings.
Fraud	In our Audit Report in the financial statements we are required to directly report on the extent to which the audit was considered capable of detecting irregularities, including fraud and other matters of non-compliance with laws and regulations.	In order to address the risk we are: <ul style="list-style-type: none">• performing procedures to assess the risk of management override as detailed on page 8;• reviewed the controls in place surrounding fraud risks including disinvestments;• agreed 96% of investments to third party investment confirmations;• are reviewing the financial statement disclosures by testing to supporting documentation to assessing compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;• Are performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;• enquiring of the Audit Committee and pension and authority management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and• reviewing minutes of Audit Committee meetings and reviewed correspondence with the Pensions Regulator.



Maintaining audit quality

Maintaining audit quality

Responding to challenges in the current audit market



This is a time of intense scrutiny for our profession with questions over the role of auditors, market choice and the provision of non-audit services by an audit firm. We welcome the debate and are engaging fully with all parties who have an interest in the current audit market reform initiatives, so that our profession, our people, our clients and most importantly, the public interest, are served to the highest standards of audit quality and independence.

The role of audit

- Public confidence in audit has weakened over recent years and the expectation gap has widened with differences between what an audit does and what people think it should do (largely in areas of internal controls, fraud, front half assurance and long term viability)
- Deloitte fully supports an independent review into the role of auditors
- The Government's Brydon Review will consider UK audit standards and how audits should evolve

Would it be better to have audit only firms?

- Deloitte believes that multidisciplinary firms have more knowledge, greater access to technology and a deeper talent pool. The specialist input from industry, valuation, controls, pensions, cyber, solvency, IT and tax services are critical to an effective audit.
- Our investment in audit innovation, training and technology is greater because of the multidisciplinary model

Is the current audit market uncompetitive?

- We recognise that the competition for large, complex clients is fierce, but we wholeheartedly support greater choice being available to stakeholders
- There are barriers to entry in the listed market that are significant including the required global reach, unlimited liability, and the high cost of tendering
- The audit profession has engaged with the Competition and Markets Authority with ideas on how to provide greater choice in the market, and responded to the CMA's suggested market remedies

Independence and conflicts from other services

- Legislation and the FRC's Ethical Standard restrict the services we may provide to audit clients
- Deloitte invests heavily in systems, processes and people to check for potential conflicts
- We have governance in place to assess any areas of potential conflict, including where required to protect the public interest
- Fees for non-audit services to audit clients have fallen since 2008 (17% to 7.3% of firm revenue)

Deloitte

- Deloitte and Audit Service Line leadership are happy to meet the Audit Committee and management of our clients with respect to this important debate. We reaffirm our commitment to quality, independence and upholding the public interest
- Our Impact Report and Transparency Report are available on our website <https://www2.deloitte.com/uk/en/pages/about-deloitte-uk/articles/annual-reports.html>
- Our response to the latest AQR report was provided in our planning report.



Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit Committee discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations.
- Our internal control observations.
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Fund.

We described the scope of our work in our audit plan circulated to you on 10 March 2022.

Use of this report

This report has been prepared for the Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Audit Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and Fund risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the Fund accounts and the other procedures performed in fulfilling our audit plan.

Other relevant communications

Our topical matters provide the Audit Committee with some insight in to relevant topical events in the pensions industry.

We welcome the opportunity to discuss our report with you and receive your feedback.

Nicola Wright

For and on behalf of Deloitte LLP

Newcastle upon Tyne | 17 November 2022

01

02

03

04

05

06



Topical Matters

Key audit matters

Topical matters

Open ended property funds – gated again



In further reminder of the liquidity mismatch present when holding illiquid investments in open ended funds, many UK property funds have suspended redemptions (i.e. are gated). This is a similar position as that faced in 2020 when many of the same funds also gated, for different reasons:

- In **2020** the funds were gated in response to material valuation uncertainties included within the valuations of their underlying properties as a result of the collapse in the volume of property sales following the start of the pandemic.
- In **Q4 2022** the redemption restrictions have been put in place because the funds do not hold sufficient liquidity to meet requests for redemptions, therefore in order to allow time for some of the underlying properties to be sold in an orderly fashion redemptions in the funds have been halted.

Wider Context and Financial Conduct Authority (FCA) Consultation

Due to the open-ended structure of many pooled property funds, investors can typically buy and sell units on a frequent – often daily – basis. However, the underlying property in which these funds invest cannot be bought and sold at the same frequency. This creates a liquidity mismatch. When too many investors simultaneously wish to redeem their investments, a fund manager may ‘gate’ the fund because of the liquidity mismatch between the fund units and the underlying property assets.

There has been a trend of pooled property fund suspensions in the UK, due to a range of factors including Brexit, the COVID-19 pandemic and now turmoil in gilt markets. While fund suspensions exist to protect investors in exceptional circumstances, the repeated suspensions of these funds over recent years for liquidity reasons, has led the FCA to believe there may be wider problems with the structure of pooled property funds.

In May 2021 the FCA published feedback from its consultation on the liquidity mismatch in open-ended property funds. **Proposed new rules would require investors to give notice of up to 180 days should they wish to redeem their investment.**

However, any new rules would likely have an 18 month to 2 year implementation period, and will not be confirmed until the feedback and responses to the FCA consultation on Long Term Asset Funds (LTAFs), which closed on 10 October 2022, have been published.

Deloitte response: Trustees should analyse their portfolio and liaise with their investment managers to determine if they are impacted by any restrictions on investor redemptions at the year end.

- Where there are redemption restrictions we expect this to impact the disclosures in the financial statements, including the fair value hierarchy disclosure where affected funds would likely be presented in level 3 depending on the nature of the restrictions.
- Trustees should also consider the impact of any restrictions and the FCA consultation on the liquidity profile of their investment portfolio given the proposed increase in the redemption period.

Topical matters

Transfer of administrator



The Pensions Administration Standards Association (PASA) has noted an increase in the number of concerns being raised via its Dispute Resolution Service regarding transfers of administration. The issues raised generally relate to the following areas:

- **Delays** – in attending handover meetings and providing data and records;
- **Extra charges** – for completing the transfer, or unexpected charges for ‘out of scope’ services; and
- **Standard of service** – deterioration in the service provided by the ceding administrator during the notice period.



Revised PASA code of conduct

In an attempt to address these issues PASA has revised their Code of Conduct on Administration Provider Transfers (the ‘Code’), with effect from 1 January 2023, through the inclusion of the following two new points:

- *for new administration appointments – the administration contract should include a clause setting out the terms in the event of a subsequent transfer of services; and*
- *for existing appointments – administrators should have a clearly stated policy on transferring schemes to a newly appointed administrator which can be followed when existing contracts are silent on the issue. This policy should be available to trustees on request.*

The full PASA Exit Agreements Guidance can be found at:

<https://www.pasa-uk.com/wp-content/uploads/2022/09/September-22-PASA-Exit-Agreement-Guidance-FINAL.pdf>



Deloitte response: Trustees should review their administration contract to ensure they are aware of the agreed terms as they relate to termination of administration services. Where the contract doesn’t include an exit clause, as is common in many older contracts – particularly those agreed before the introduction of the Code in 2018, Trustees should consider:

- putting an exit clause in place; or
- requesting a copy of the administrator’s policy for transferring scheme administration.

Topical matters

New, consolidated and simplified enforcement policy and updated prosecution policy published by TPR



KEY DETAILS

On 4 May 2022, The Pensions Regulator (TPR) published for consultation its new, consolidated and simpler draft enforcement policy and an updated prosecution policy to help stakeholders understand the regulator's approach.

The enforcement policy simplifies and consolidates previous policies for public sector and occupational pension schemes of all types i.e. defined benefit, hybrid and defined contribution pension schemes. Both policies have been updated to include the new powers granted to the regulator in the Pensions Schemes Act 2021 and to reflect knowledge and experience gained by TPR using the existing enforcement powers. The principal aim is for TPR to be clearer about all its enforcement powers through more streamlined policy documents.

The new powers aim to strengthen the TPR's regulatory framework, allowing it to gather evidence more efficiently and respond to events or conduct that could affect schemes. The Pensions Scheme Act 2021 also introduced several sanctions and deterrents against conduct that could put members' pensions at risk or impede the regulator's investigations. **Deloitte have previously provided a topical update slide on the The Pensions Scheme Act 2021 and this can be provided again on request.**

Speaking about the policy updates David Fairs, TPR's Executive Director of Regulatory Policy, said: "We want to be clear with the pensions industry about our approach to enforcement and prosecution. With our new powers to help us ensure savers' money is secure, we felt it was timely to review our existing policies and consolidate them where possible, so they are easier to navigate. These two policies explain what targets or those affected by enforcement action should expect from TPR, from the point of our opening an investigation through to the conclusion of any enforcement action. We've simplified, consolidated and clarified the way in which our regulated community accesses important information about enforcement."

Enforcement policies for automatic enrolment, master trust authorisation and upcoming CDC schemes are not included in new draft enforcement and prosecution policies discussed above.

Deloitte view: The above consultation closed on **24 June 2022**. The Audit Committee should familiarise themselves with the draft policy documents and the powers available to the TPR around enforcement and prosecution and consider responding to the consultation should they consider this appropriate to do so.

Article source: TPR website

01

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Appendices

Key audit matters

Appendix 1: Our other responsibilities explained

Fraud responsibilities



Your responsibilities:

- The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified management override of controls as a key audit risk for the Fund.
- We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations



Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.



Management:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the Fund.
- Management's communication, if any, to the Audit Committee regarding its processes for identifying and responding to the risks of fraud in the Fund.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries.



Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



The Audit Committee

- How the Audit Committee exercises oversight of management's processes for identifying and responding to the risks of fraud in the Fund and the internal control that management has established to mitigate these risks.
- Whether the Audit Committee has knowledge of any actual, suspected or alleged fraud affecting the Fund.
- The views of the Audit Committee on the most significant fraud risk factors affecting the Fund.

Appendix 2: Independence and fees

A Fair and Transparent Fee

 **As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:**

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Fund.

In considering the requirements of Auditor Guidance Note 01 (issued by the National Audit Office) and the Ethical Standard 2019 to report all significant facts and matters that may bear upon our integrity, objectivity and independence, though not meeting the defined criteria for an affiliate of an audited entity, we have taken account of the tax and internal audit services provided to Border to Coast Partnership by Deloitte. To this effect we have documented our assessment concerned with the delivery of services to, and the receipt of fees from, Border to Coast Pension Partnership, along with our assessment on the opinion of a reasonable and informed third party on these services.

Fees

Our initial audit fee for the year ending 31 March 2022 is £19,206 for the Fund. The fee reflected here is the scale fee. In line with recent PSAA correspondence that scale fees should be negotiated by individual s151 officers, we are in discussion with the Fund regarding the current level of fee which we deem to be too low given the size and complexity of the body.

The above fee also excludes the cost of providing IAS 19 letters to other local authorities that will be recharged by the Fund to the other local authorities. This fee is in the process of being quantified and will be discussed with management.

The above fees exclude VAT.

Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Fund's policy for the supply of non-audit services or any apparent breach of that policy.

We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Ethical Standard 2019

Under the Ethical Standard released by the FRC in 2019, the standard classes pension schemes as 'other entities of public interest' where assets are greater than £1bn and there are more than 10,000 members. As a result, non audit services will be limited primarily to reporting accountant work, audit related and other regulatory and assurance services. All other advisory services to these entities, their UK parents and world-wide subs will be prohibited.



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