



North Yorkshire Pension Fund

Planning report to the Audit Committee on the 2021 audit

12 March 2021

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Planning report

A tailored, insightful and efficient audit
delivered by a team of pension audit
specialists

Partner introduction

The key messages in this report:

I have pleasure in presenting our Planning Report to the Audit Committee for the 2021 audit of the North Yorkshire Pension Fund (the 'Fund') and I would like to draw your attention to the key messages of this paper:

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.

Key developments

As part of our audit planning procedures, we have held planning meetings with key members of management.

The most significant development during the year has been further investment transfers to Border to Coast Pension Partnership (£90m) and to PIMCO, a new investment manager for the Fund (£190m). We will review the transfer of the assets, as well as consider the key controls at Border to Coast, PIMCO and the investment custodian, Bank of New York Mellon ('BNYM'), with regards to the valuation of these investments.

Significant audit risk and audit focus areas

We have created our risk assessment so that our plan reflects those areas which we believe have a greater chance of leading to material misstatement of the financial statements. Our significant audit risk will be management override of controls.

Auditing Standards require us to assume that management override and revenue recognition are significant risks for all our audits. However, we have rebutted the risk of revenue recognition within the Fund as we consider that there is little incentive or opportunity for revenue (including investment income, transfers and contributions) to be fraudulently misstated, and therefore there is limited risk of material misstatement arising due to fraud.

Whilst they have not been assessed as significant risks, our other areas of audit focus will be:

1. Completeness and accuracy of the asset transfer to Border to Coast;
2. Accuracy of investment transactions;
3. Completeness of investments and valuation of alternative investments; and
4. Completeness and accuracy of contributions.

Please refer to pages 11 to 17 for full details of the significant risk and areas of audit focus.

Partner Introduction

The key messages in this report (continued)

Audit impact of COVID-19

During the year under audit, COVID-19 has continued to cause disruption and volatility to financial markets. We have reviewed each of the key account balances as part of our 2021 risk assessment, and held detailed planning discussions with management. Given the investment portfolio held, we do not expect there to be a material impact on the year end valuations.

Operationally we expect to complete the 2021 audit remotely and have discussed this approach with key members of management. We have already reviewed the control environment at the Fund and have reviewed whether any of the controls have been operating differently or have been weakened as a result of the remote working environment.

We are utilising Microsoft Teams/Zoom to hold video calls to update our process documentation and have utilised the functionality to share screens and inspect audit information. We have good experience of delivering audits remotely and are fully prepared to react and adapt to COVID-19 restrictions.

Nicola Wright
Audit Partner

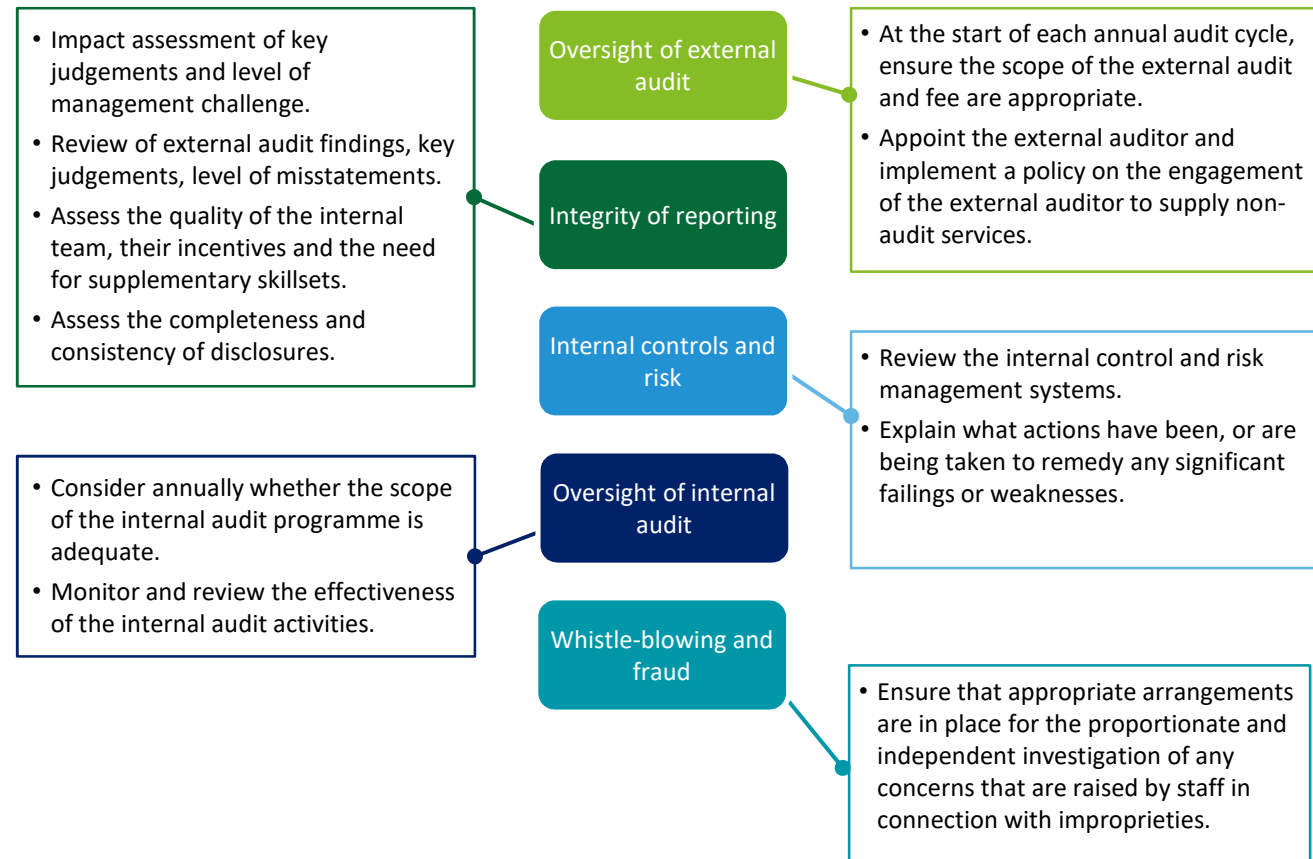
Responsibilities of the Audit Committee

Helping you fulfil your responsibilities

The primary purpose of the Auditor's interaction with the Audit Committee:



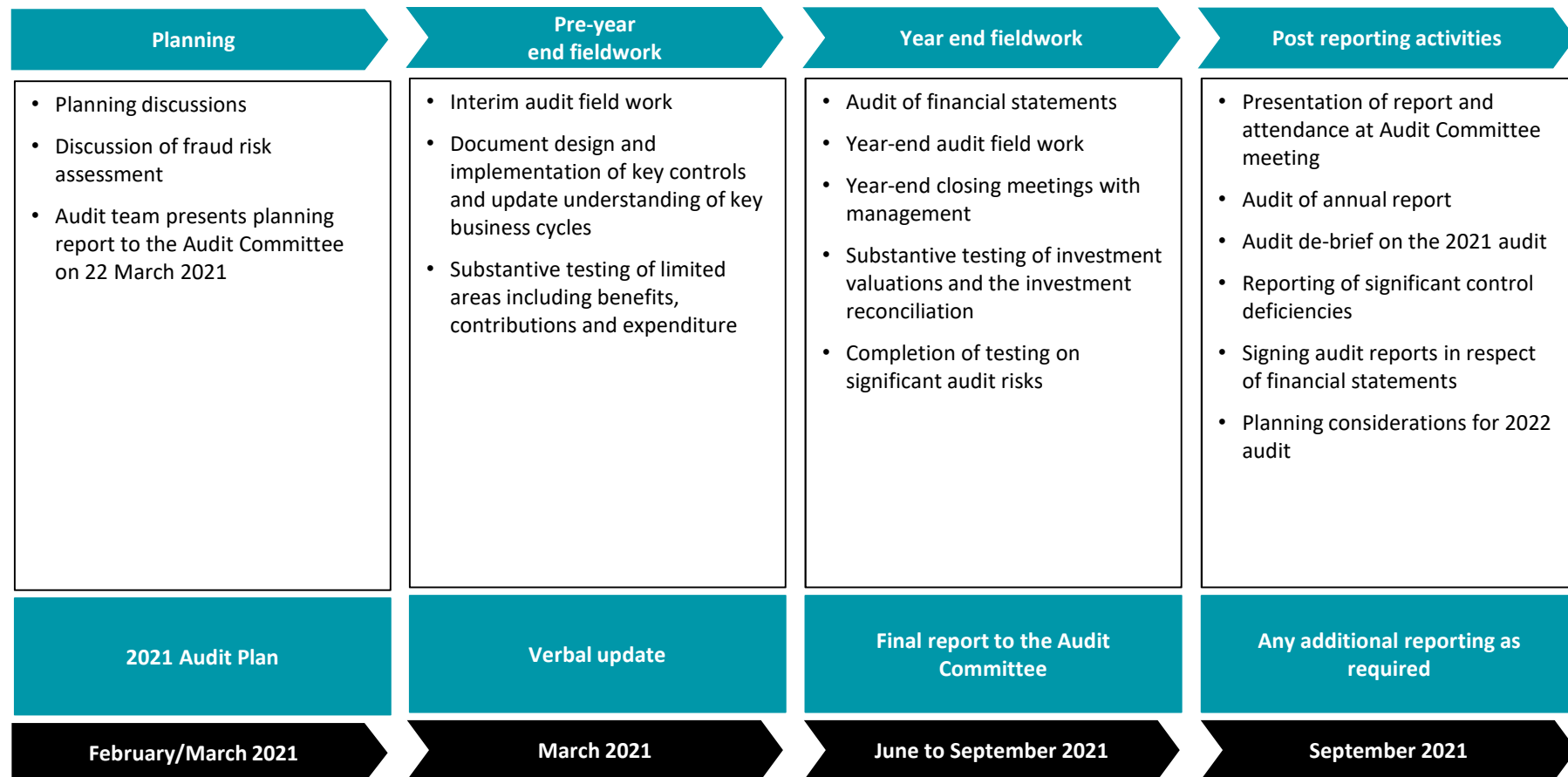
As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit Committee in fulfilling their remit.



Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



Ongoing communication and feedback

Materiality

Our approach to materiality

Basis of our materiality benchmark

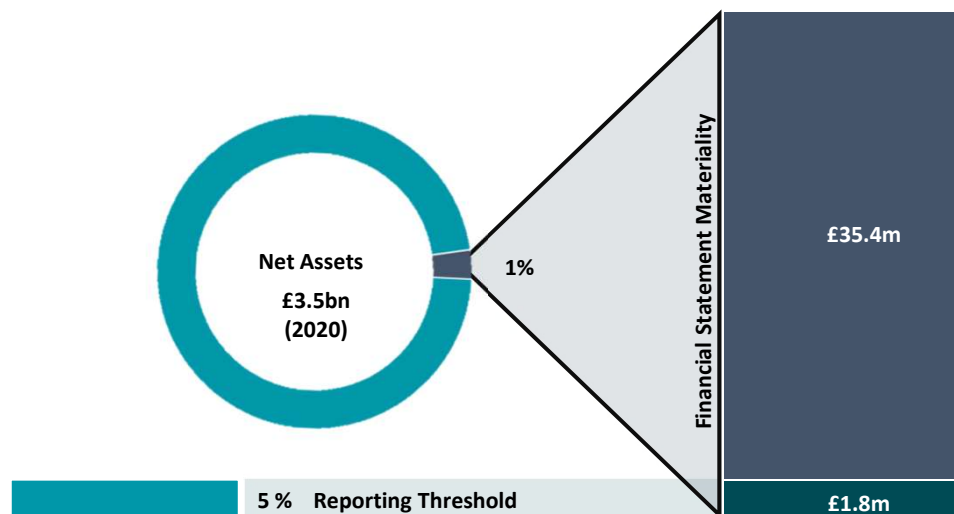
- We will determine materiality for our opinion on the financial statements at 1% (2020: 1%) of the net assets of the Fund at 31 March 2021.
- For indicative purposes, prior year financial statement materiality was £35.4m. We will calculate current year materiality upon receipt of the 2021 draft financial statements and we will report our final materiality in our final report issued to the Audit Committee at the end of our audit.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of 5% of financial statement materiality. We will report to you misstatements below this threshold if we consider them to be material by nature.
- For indicative purposes, the prior year reporting threshold was £1.8m for the financial statements.

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.



Your control environment

What we consider when we plan the audit

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Responsibilities of management

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Audit Committee

As explained further in the Responsibilities of the Audit Committee on page 6, the Audit Committee is responsible for:

- Overseeing the internal control and risk management systems; and
- Overseeing and understanding what actions management have been, or will be, taking to remedy any significant failings or weaknesses.

As stakeholders tell us that they wish to understand how external audit challenges and responds to the quality of an entity's control environment, we are seeking to enhance how we plan and report on the results of the audit in response. We will be placing increased focus on how the control environment impacts the audit, from our initial risk assessment, to our testing approach and how we report on misstatements and control deficiencies.

Reliance on controls



Our preferred audit approach is controls based. We test the design and implementation of identified controls in respect of retirements and transfers but not the operating effectiveness. This is due to the lack of third party IT assurance over the control environment of Altair.

We take a controls reliance approach in respect of BCPP registered funds that are valued by Northern Trust. Our controls based approach provides the Audit Committee comfort over the Fund control environment and we will report to you the results of our controls testing in these areas. Further details on our audit approach to controls is detailed on page 10.





















Performance materiality








We set performance materiality as a percentage of materiality (typically 70%) to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. We determine performance materiality, with reference to factors such as the quality of the control environment and the historical error rate. Where we are unable to rely on controls, we may use a lower level of performance materiality.

Scoping

Risk dashboard

Risk Identified	Material Balance	Management Judgement	Proposed Approach	Fraud Risk	Further Details
 Significant Risk Management override of controls			D&I		Pg. 12
 Other Focus Area Completeness and accuracy of the asset transfer to Border to Coast			D&I		Pg. 14
 Other Focus Area Accuracy of investment transactions			D&I, OE		Pg. 15
 Other Focus Area Completeness of investments and valuation of alternative investments			D&I		Pg. 16
 Other Focus Area Completeness and accuracy of contributions			D&I		Pg. 17

 Significant Risk	 Low levels of management judgement/complexity	D&I Design and Implementation
 Other area of audit focus	 Medium levels of management judgement/complexity	OE Operating effectiveness
	 High degree of management judgement/complexity	



**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 Audit Committee does not have access to the Fund accounting system and does not process any journals in respect of the Fund.

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

Deloitte response to significant risk identified

In order to address the significant risk, we will perform the following audit procedures:

- Use 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;
- Perform a walkthrough of the financial reporting process to identify the controls over journal entries and other adjustments posted in the preparation of the financial statements;
- Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Test the design and implementation of controls around the journals process, and investment and disinvestment of cash during the year;
- Review related party transactions and balances to identify if any inappropriate transactions have taken place;
- Review the accounting estimates for bias, such as year-end debtor and creditor postings and the valuation of unlisted investments, 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, indicate a possible bias on the part of management; and
- Assess whether there is an appropriate level of segregation of duties over processing journal entries to the financial statements throughout the year.



Audit focus areas

Audit focus areas



Completeness and accuracy of the asset transfer to Border to Coast

Risk identified

Due to the Government announcement that Local Government Pension Schemes ('LGPS') must pool their assets together in order to reduce the cost of investing to the public purse, the Fund became part of the Border to Coast Pension Partnership ('BCPP') in the prior year.

During the current year, the Fund transferred a further £90m of directly held assets to Border to Coast.

Response of those charged with governance

The Fund engaged Legal & General ('LGIM') to provide oversight and to report to them on the transition process.

Deloitte response to audit focus area identified

In order to address this audit focus area, we will perform the following audit procedures:

- Confirm the completeness and the accuracy of the values of the assets transferred by comparing the purchases of BCPP funds as per the client's breakdown and the LGIM transition report;
- Perform a review of the LGIM transition report, which provides an overview of the assets transferred to Border to Coast, in order to identify whether there are any significant issues to be noted; and
- Test the design and implementation of key controls around asset transfers by reviewing the Border to Coast Type 1 report internal control report and the custodian internal control report.

Audit focus areas



Accuracy of investment transactions

Risk identified

The Fund holds a diverse portfolio of pooled investment vehicles including equities, bonds, pooled investment vehicles ('PIVs') and property PIVs. The volume of transactions and different holdings could lead to a risk of incomplete or inaccurate reporting of transactions or balances at the year-end.

Response of those charged with governance

The Fund engages various investment managers (including BCPP) and BNYM as custodian for these investments.

Deloitte response to audit focus area identified

In order to address this audit focus area, we will perform the following audit procedures:

- Perform design, implementation and operating effectiveness testing on the key controls over the accuracy of investment transactions by obtaining investment manager internal control reports and evaluating the implications for our audit of any exceptions noted;
- Obtain independent confirmation of transactions during the Fund year from the investment managers;
- Perform a unit reconciliation in which the opening investment balances and unit quantities are reconciled to the closing investment balances and unit quantities by taking into account the movement that occurred during the year (i.e. purchases, sales, change in market value);
- Perform design and implementation testing on an investment sale transaction, agreeing to the investment mandate and the investment manager's transaction report; and
- Test the completeness of investments by agreeing a sample of purchases and sales by tracing items from the custodian report to the relevant investment manager confirmation.

Audit focus areas



Completeness of investments and valuation of alternative investments

Risk identified

The Fund holds a large and highly material portfolio of investments and due to the ongoing changes and numerous transactions within this portfolio, there is considered to be an increased risk of material misstatement.

Additionally, within this portfolio, there is a range of alternative investments. These funds do not have publicly available prices and are often infrequently priced, increasing the risk of stale pricing.

Response of those charged with governance

The Fund engages various investment managers (including BCPP) and BNYM as custodian for these investments.

Deloitte response to audit focus area identified

In order to address this audit focus area, we will perform the following audit procedures:

- Test the design and implementation, and the operating effectiveness where applicable, of key controls over the completeness and valuation of investments by obtaining the investment manager internal control report (where applicable) and evaluating the implications for our audit of any exceptions noted;
- Agree 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 reconcile these to the individual confirmations received from the investment managers;
- Agree registered funds and directly held investments to publicly available prices;
- Perform independent valuation testing for a sample of year-end alternative investment holdings by rolling forward the valuation as per the latest audited accounts using cash flows and an appropriate index as a benchmark;
- Ensure appropriate stale price adjustments have been posted to the financial statements; and
- Perform a unit reconciliation in which the opening investment balances and unit quantities are reconciled to the closing investment balances and unit quantities by taking into account the movement that occurred during the year (i.e. purchases, sales, change in market value).

Audit focus areas



Completeness and accuracy of contributions

Risk identified

There is some complexity surrounding the completeness and accuracy of employer and employee 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 from month to month and the Fund has no oversight of the individual employer payrolls.

As a result, we consider the completeness and accuracy of contributions to be an audit focus area.

Response of those charged with governance

The administration team monitors the due dates of contributions and that the correct amounts are received into the Fund bank account to ensure that payments are in accordance with the actuarial valuation.

Employers must also complete a contributions return confirming that the contributions paid during the year are complete and accurate.

Deloitte response to audit focus area identified

In order to address this audit focus area, we will perform the following audit procedures:

- Test the design and implementation of key controls over the contributions process;
- Perform 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;
- For a sample of active members, recalculate individual contribution deductions to ensure these are being calculated in accordance with the rates stipulated in the LGPS Regulations for employee contributions and the recommendations of the actuary for employer contributions;
- Test that the correct definition of pensionable salary is being used per the LGPS Regulations to calculate contribution deductions;
- Test the reconciliation of the total number of active members between the membership records and the employer payroll records; and
- For a sample of monthly contributions paid, check that they have been paid within the due dates per the LGPS Regulations.

Other risks

Other audit considerations

Area of focus	Description	Audit response
Going Concern	As auditors, we are required to confirm in our audit report that the going concern basis of the financial statements is appropriate.	Our planned testing to address this risk includes: <ul style="list-style-type: none"> • Examining the latest publicly available information regarding the financial position of the principal employer; • Analysing the latest funding position of the Fund; • Reviewing management's assessment of going concern (including the impact of Brexit & COVID-19); • Reviewing the results of the latest employer covenant assessment; and • Reviewing minutes of the Pension Board and Pension Fund Committee meetings.
Fraud	In our Audit Report in the financial statements, for the Fund year ending 31 March 2021 we are now 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.	Our planned testing to address this risk includes: <ul style="list-style-type: none"> • Performing procedures to assess the risk of management override as detailed on page 12; • Reviewing the controls in place surrounding fraud risks including disinvestments; and • Agreeing 100% of investments to third party investment confirmations.
Brexit	<p>During the Scheme year, the UK have left the European Union ("EU").</p> <p>The impact of Brexit may be felt across the Scheme and its operations, for example through withholding taxes and other investment transactions such as foreign exchange.</p>	Our planned testing to address this risk includes: <ul style="list-style-type: none"> • Assessing the fair value of assets as at the Fund's year-end date; • Examining the latest publicly available information regarding the financial position of the principal employer; • Reviewing minutes of the Pension Board and Pension Fund Committee meetings and the going concern assessment; and • Confirming that appropriate disclosures have been made in the financial statements.

A wide-angle photograph of a dirt road winding through a lush green field. The road starts in the foreground and leads towards a distant treeline. The sky is filled with large, dramatic clouds, and the sun is shining from the right, creating a bright glow and long shadows. The overall scene is peaceful and expansive.

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	<ul style="list-style-type: none">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 auditorsThe Government's Brydon Review considers UK audit standards and how audits should evolve
Would it be better to have audit only firms?	<ul style="list-style-type: none">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 auditOur investment in audit innovation, training and technology is greater because of the multidisciplinary model
Is the current audit market uncompetitive?	<ul style="list-style-type: none">We recognise that the competition for large, complex clients is fierce, but we wholeheartedly support greater choice being available to stakeholdersThere are barriers to entry in the listed market that are significant including the required global reach, unlimited liability, and the high cost of tenderingThe 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	<ul style="list-style-type: none">Legislation and the FRC's Ethical Standard restrict the services we may provide to audit clientsDeloitte invests heavily in systems, processes and people to check for potential conflictsWe have governance in place to assess any areas of potential conflict, including where required to protect the public interestFees for non-audit services to audit clients have fallen since 2008 (17% to 7.3% of firm revenue)
Deloitte	<ul style="list-style-type: none">Deloitte and Audit Service Line leadership are happy to meet the Board and management of our clients with respect to this important debate. We reaffirm our commitment to quality, independence and upholding the public interestOur Impact Report and Transparency Report are available on our website https://www2.deloitte.com/uk/en/pages/about-deloitte-uk/articles/annual-reports.htmlOur response to the latest AQR report is on page 21.

Our approach to quality

AQR team report and findings

Audit quality remains our number one priority and we have a relentless commitment to it. We continue to invest in and enhance our Audit Quality Monitoring and Measuring programme.

In July 2020 the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2019/20 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

We are pleased with our results for the inspections of FTSE 350 entities achieving 90% assessed as good or needing limited improvement, which included some of our highest risk audits. Our objective is for 100% of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard. We are however, extremely disappointed one engagement received a rating of significant improvements required during the period. This is viewed very seriously within Deloitte and we have worked with the AQR to agree a comprehensive set of swift and significant firm wide actions.

We are also pleased to see the impact of our previous actions on prior year adjustments is reflected in the results of current year inspections with no findings in this areas. In addition the FRC identified good practice examples including in: risk assessment, group oversight, our comprehensive IFRS9 expected credit loss audit programme and our audit committee reporting.

Embedding a culture of challenge in our audit practice underpins the key pillars of our audit strategy. We invest continually in our firm wide processes and controls, which we seek to develop globally, to underpin consistency in delivering high quality audits whilst ensuring engagement teams exercise professional scepticism through robust challenge.

All the AQR public reports are available on its website.

<https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

The AQR's 2019/20 Audit Quality Inspection Report on Deloitte LLP

“We reviewed 17 individual audits this year and assessed 13 (76%) as requiring no more than limited improvements. Of the ten FTSE 350 audits we reviewed this year, we assessed nine (90%) as achieving this standard.”

“We have highlighted in this report aspects of firm-wide procedures which should be improved, including strengthening the monitoring of the firm’s audit quality initiatives.”

“Our key findings related principally to the need to:

- Improve the extent of challenge over cash flow forecasts in relation to the impairment of goodwill and other assets.
- Enhance the effectiveness of substantive analytical review and other testing for revenue.
- Improve the assessment and extent of challenge regarding management’s estimates, particularly for model testing.”

“The firm has taken steps to address the key findings in our 2019 public reports, with actions that included focused training and standardising the firm’s audit work programs. We have identified improvements, for example in the audit of potential prior year adjustments and related disclosures, a key finding last year. We also identified good practice in a number of areas of the audits we reviewed (including effective group oversight and robust risk assessment) and in the firm-wide procedures (including the firm’s milestone program, with expected dates for the phasing of the audit monitored by the firm).”

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 establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory updates, relevant to you

Other relevant communications

- Our topical matters provide the Audit Committee with some insight in to relevant topical events in the pensions industry.
- We will update you if there are any significant changes to the audit plan.

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 is 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, the views on internal controls and Fund risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

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

Deloitte LLP

Statutory Auditor

Newcastle upon Tyne | 12 March 2021

A vibrant landscape photograph of a green field under a blue sky with white clouds. The field is lush and green, stretching towards a distant treeline. The sky is a deep blue, filled with scattered white clouds, and the sun is shining brightly from the upper right, creating a lens flare effect.

Appendices

Key audit matters

Appendix 1: ISA 240

The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Fund and management. It is important that management, with the oversight of those charged with governance, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behaviour which can be reinforced by an active oversight by those charged with governance. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process.

Auditors Responsibility

An auditor conducting an audit in accordance with ISAs (UK) is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs.

As part of our partner led planning process, as an audit team we have considered the possible avenues of fraud within the Fund and have outlined our approach to each consideration below.

Consideration	Approach
Fraudulent posting of journal entries – the purposeful misstatement of the financial statements	We have outlined our approach to the mitigation of this risk on page 12.
Fraudulent valuation of investment assets - incentive to overstate assets value	We will obtain 100% of investment confirmations for all investments held by the Fund, both through BNYM as custodian and through the investment manager directly. We will also review the custodian to investment manager reconciliation prepared by BNYM.
Misappropriation of cash - disinvestments not processed in accordance with the investment mandate	In response to this risk we perform a walkthrough of the disinvestment process and assess the design and implementation of the identified controls. We inspected the investment mandate in place and the signed disinvestment instruction to ensure it has been processed appropriately. We then track the disinvestment proceeds to the Fund bank account or receiving investment manager. In addition, we ensure the cash reconciliations prepared by BNYM reconcile and vouch all cash movements to third parties.
Creation of fictional pensioner records and payments to non Fund members	In response to this risk we perform a walkthrough of the process and assess the design and implementation of controls around pensioner set up and amendments to existing records to ensure there are appropriate controls and enforced segregation of duties. In addition, we perform design and implementation testing of controls associated with payments made from the Fund bank account to ensure they are authorised in accordance with payment limits and only on inspection of information received from the member.
Circumvention of the review process	In response to this risk we perform a walkthrough of the process and assess the design and implementation of controls around the processing of retirement and transfer out cases to ensure there is segregation of duties.
Pensioner existence – payment of pensions to deceased members	In response to this risk we perform a walkthrough of the process and assess the design and implementation of controls around the existence of pensioners to ensure the timely suspension of pensions to deceased members.

Appendix 2: Fraud responsibilities and representations

Responsibilities explained



Your responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and the Audit Committee, 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 risk section of this document, we have identified management override of controls as a key audit risk for the Fund.



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.

We will request the following to be stated in the representation letter signed on behalf of the Audit Committee:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- 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.
- [We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.]
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 2: Fraud responsibilities and representations (continued)

Inquiries

We will make the following inquiries regarding fraud:



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 entity.
- Management's communication, if any, to the Audit Committee regarding its processes for identifying and responding to the risks of fraud in the entity.
- 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 entity 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 entity.
- The views of the Audit Committee on the most significant fraud risk factors affecting the entity.



Appendix 3: 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	<p>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 and will re-confirm our independence and objectivity to the Audit Committee for the year ending 31 March 2021 in our final report to the Audit Committee.</p> <p>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 on the threats and safeguards 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.</p>
Fees	<p>Our audit fee for the year ending 31 March 2021 is £19,206* for the Fund. The above fee excludes VAT and includes out of pocket expenses.</p> <p>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 will be looking to discuss with the Authority the current level of fee.</p> <p>*This fee 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.</p>
Non audit services	<p>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.</p>
Ethical Standard 2019	<p>The FRC has released the Ethical Standard 2019. The standard classes pension schemes as 'other entities of public interest' where assets are greater than £1bn and there are 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.</p>



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