



North Yorkshire Pension Fund

Update report to the Audit Committee on the 2022/23 audit

Issued on 6 December 2024

# Executive summary

## The key messages in this report

**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 update report to the North Yorkshire Pension Fund Audit Committee (the “Committee”) for the 2022/23 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 2022/23 (“the Code”) issued by CIPFA and LASAAC; and
- Report to “those charged with governance” 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

Our audit work is currently ongoing, with review and quality procedures underway. We have detailed the procedures still to be completed in Appendix 3 and we will provide a verbal status update at the Committee meeting on 9 December 2024.

### Risk assessment update

We have not made any revisions to our risk assessment since issuing our planning report.

Further details of the significant audit risks and areas of audit focus can be found on pages 4 to 10.

### Internal audit

We have reviewed the reports prepared by internal audit in order to help inform our risk assessment procedures. It should however be noted that we have not placed any reliance on the work of internal audit during the year.

### Independence

We confirm we are independent of the Fund for the year ended 31 March 2023.

### Materiality
























We have determined materiality for the 2023 financial statements based on 1% of the Fund's net assets at 31 March 2023 (2022: 1%).

We report to the Committee on any unadjusted misstatements greater than our reporting Threshold (“RT”) and other adjustments we consider to be qualitatively material. Our RT has been set at 5% of materiality (2022: 5%). Please see Appendix 1 for detail of the audit adjustments and disclosure deficiencies.

	Materiality £m	Reporting threshold £m
Financial statements	42.2 (2022: 49.2)	2.1 (2022: 2.5)








# Risk dashboard

## Significant risks and audit focus areas

Risk Identified	Material balance	Complexity	Controls approach	Fraud risk	Use of specialist	Further details
 <b>Significant Audit Risk</b> Management override of controls						Pg. 5
 <b>Significant Audit Risk</b> Misappropriation of investment assets			 			Pg. 6
 <b>Audit Focus Area</b> Accuracy and completeness of contributions						Pg. 8
 <b>Audit Focus Area</b> Valuation of alternative investments						Pg. 9
 <b>Audit Focus Area</b> Occurrence and cut-off of year end transactions						Pg. 10

**Significant Risk:** risks which require a tailored, elevated audit response in terms of the nature, timing and extent of audit testing. The determination of significant risks are based on professional judgment and the results of the risk assessment procedures we have performed.

**Audit Focus Area:** risk which requires additional audit consideration beyond that of normal risks, but where the potential for material misstatement or the likelihood is lower than that of a significant risk.

 Significant Risk	 Low levels of complexity	 Design and Implementation
 Other area of audit focus	 Medium levels of complexity	 Operating Effectiveness
	 High degree of complexity	

# Significant audit risks



**01**

# Significant audit risks

## 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.



### Conclusion

We have completed our work and noted control recommendations as set out on pages 17 to 20. We have no other matters to report to the Committee at this time.

Our work is currently undergoing quality review and we will provide a verbal update to the Committee on 9 December 2024.



### Deloitte response and challenge

**In order to address the significant risk, our audit procedures consisted of the following:**

- tested the design and implementation of controls around the posting of journals and investment and disinvestment of cash during the year;
- made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- performed 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;
- used Spotlight, our data analytics software, in our journals testing to interrogate 100% of journals posted across the Fund and Authority. As part of our work in this area, we perform an analysis of journal entries which enable us to focus on journals meeting specific pre-determined parameters determined during our audit planning;
- substantively tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements by agreeing to supporting documentation;
- reviewed 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, indicate a possible bias on the part of management; and
- ensured that there is an appropriate level of segregation of duties over processing journal entries to the financial statements throughout the year.

# Significant audit risks

## Misappropriation of investment assets



### Risk identified

The Fund holds a diversified portfolio of investment assets. This could lead to a risk of incomplete or inaccurate reporting of transactions or balances at the year end.

This has been elevated as a significant risk in the current year. Due to a large volume of investment transactions and significant movements in the market value, there is a risk that an omission may result in material misstatement in the investment balances. There is a risk that the sales/purchase transactions may not be captured correctly or omitted completely, which may result in investment balances being incomplete or being materially misstated.



### Conclusion

We have completed our work and noted control recommendations as set out on pages 17 to 20. We have no other matters to report to the Committee at this time.

Our work is currently undergoing quality review and we will provide a verbal update to the Committee on 9 December 2024.




### Deloitte response and challenge

**In order to address the significant risk, our audit procedures consisted of the following:**

- performed design, implementation and operating effectiveness testing over the relevant controls over existence and completeness of investment assets by reviewing relevant internal control reports at the custodian and investment managers;
- reviewed the custodian to investment manager reconciliations;
- vouched cash and unit movements through to bank statements and third party confirmations respectively;
- performed an analytical review to assess the reasonableness of the investment return quoted in the draft accounts;
- performed focused procedures to confirm the existence of investments including obtaining 100% of independent confirmations from material investment managers; and
- made inquiries of individuals and reviewing the client transition from BNYM to Northern Trust as new custodian of the investments. We looked in particular at:
  - the completeness of transition of investments and investment cash.
  - Controls around the management of the transition.
- Due to the lack of controls surrounding the transfer of custodian from BNYM to NT, we have performed an independent reconciliation of units and values between closing BNYM report and opening NT report. In addition, we reconciled the transfer of custodian cash, so as to ensure this was complete.

# Audit focus areas



**02**

# Audit focus areas

## Accuracy and completeness 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.



### Conclusion

We have completed our work and noted control recommendations as set out on pages 17 to 20. We have no other matters to report to the Committee at this time.

Our work is currently undergoing quality review and we will provide a verbal update to the Committee on 9 December 2024.



### Deloitte response and challenge

**In order to address the risk our audit procedures consisted of the following:**

- reviewed the design and implementation of key controls over the contributions process;
- performed 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 the average pay rise awarded in the year;
- for a sample of active members, recalculated the individual contributions 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;
- for a sample of active members, tested that the correct definition of pensionable salary is being used per the LGPS Regulations to calculate contribution deductions;
- tested the reconciliation of the total number of active members between the membership records and the payroll records of the largest employer (NYCC); and
- for a sample of monthly contributions paid, checked that they have been paid within the due dates per the LGPS Regulations.



# Audit focus areas

## Valuation of alternatives



### Risk identified

The Fund holds a large and material portfolio of alternative investments, including private equity, hedge and debt funds, as well as limited partnerships. These funds do not have publicly available prices and are often infrequently priced, increasing the risk of stale pricing. As a result of this we consider the completeness and valuation of these an audit focus area.



### Conclusion

We have completed our work.

The alternative investments are often subject to stale pricing, due to infrequent pricing. We noted that some of the Fund's investments were included in the 31 March 2023 draft financial statements at 31 December 2022 prices. Accounting standards allow stale pricing, provided no more up-to-date information is available. We identified an adjustment of £15.9m (increase in investment assets), which has not been amended in the financial statements See Appendix 1 on page 16.

Our work is currently undergoing quality review and we will provide a verbal update to the Committee on 9 December 2024.



### Deloitte response and challenge

**In order to address the risk our audit procedures consisted of the following:**

- reviewed the controls over the valuation of investments by obtaining the material investment manager and custodian internal controls reports (where applicable) and evaluating the implications for our audit of any exceptions noted;
- agreed the year end alternatives valuations as reported in the financial statements to the reports received independently from the investment managers;
- agreed the registered funds and quoted funds to publicly available prices;
- performed independent valuation testing for a sample of year end alternative funds by rolling forward the valuation as per the latest audited accounts using cashflows and an appropriate index as a benchmark; and
- ensured appropriate stale price adjustments have been quantified, with adjustment to the financial statements proposed.

# Audit focus areas

## Occurrence and cut-off of year end transactions



### Risk identified

There is a history of the Fund not completing bank reconciliations on a timely basis and the review not taking place. As a result of this, we consider the occurrence and cut-off of year end transactions to be a focus area.



### Deloitte response and challenge

**In order to address the risk our audit procedures consisted of the following:**

- performed testing from a sample of post year end payments to ensure accruals have been accounted for.



### Conclusion

We have concluded our testing in this area and have nothing to report to the Committee.

Our work is currently undergoing quality review and we will provide a verbal update to the Committee on 9 December 2024.

## Other audit considerations

**03**

# Other audit considerations

## Other risks

### Going concern

We are required to directly opine on the going concern of the Fund in our audit opinion on the financial statements. As part of this process, details of the work we performed around going concern are detailed below:

- examined the latest publicly available information regarding the financial position of the principal bodies;
- analysed the latest funding position of the Fund; and
- reviewed minutes of key meetings.

We have nothing to report to the Committee as a result of our work performed.

### Non-compliance with laws and regulations, including fraud

In our audit opinion on 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. To enable us to do this our procedures have involved:

- performed procedures to assess and respond to the risk of management override as detailed on page 5;
- reviewed the controls in place surrounding fraud risks including disinvestments;
- agreed a sample of investments to third party investment confirmations;
- reviewed financial statement disclosures by testing these to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performed analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquired of the Committee concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- read minutes of the Committee's meetings and reviewing correspondence with the Pensions Regulator;

As noted on page 6, we have also identified a potential for fraud in the misappropriation of investment assets due to the significant size of investment transactions and balances. In response our procedures to respond to the risk identified included the following:

- obtained an understanding of relevant controls over the existence of investment holdings and transactions;
- agreed investment holdings to independent third party confirmations; and
- agreed investment and cash reconciliations to independent evidence and bank statements.

We have not identified any issues of non-compliance with laws and regulations, including fraud from our audit testing performed to date.

# Our audit report

## The form and content of our report

Here we discuss how the results of the audit impact on our audit report.



### **Our opinion on the financial statements**

Our audit is ongoing but subject to the successful clearance of the outstanding areas in Appendix 3, we expect to issue an unmodified audit opinion.



### **Emphasis of matter and other matter paragraphs**

There are no other matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.



### **Irregularities and fraud**

We will explain the extent to which we considered the audit to be 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. We will discuss the areas identified where fraud may occur and any identified key audit matters relating to fraud.

Recent changes to ISAs (UK) mean this requirement will apply to **all** entities for periods commencing on or after 15 December 2019.

# 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 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; and
- 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 accounts.

We described the scope of our work in our audit plan circulated to you on 13 October 2023.

### Use of this report

This report has been prepared for the 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 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 the Fund's risk assessment in our report 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's financial statements and the other procedures performed in fulfilling our audit plan.

*Deloitte LLP*

**Nicola Wright**

For and on behalf of Deloitte LLP

Newcastle upon Tyne | 6 December 2024

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

# Appendices

## Key audit matters



# Appendix 1: Audit adjustments

## Uncorrected misstatements and disclosure deficiencies

### Uncorrected misstatements

**[M1]** Adjustment to valuation of alternatives due to receipt of more up-to-date prices as at 31 March 2023.

**[M2]** Adjustment to get to correct change in market value.

### Disclosure deficiencies

**[D1] Note 26: Contingent liabilities and contractual commitments** states that the outstanding capital commitments as at 31 March 2023 amount to £508.6m. Based on the confirmations we have received from the investment managers, the outstanding capital commitments amount to £565.7m. As such, the disclosure is understated by £57.1m. We have requested for this amount to be amended in the final version of the financial statements.

**[D2] Note 14a: Reconciliation of movements in investments:** Based on the investment manager confirmations we have received, the total purchases and sales recognised in the Statement of Accounts is wrong by a total of £2.6m, suggesting these were recognised within investment management expenses. We propose to debit purchases with £0.6m, debit sales by £2.0m, and to credit change in market value by £2.6m. We refer to **[M2]** above for the reclassification from investment management expenses to change in market value.

**[D3] Note 17b: Net gains and losses on financial instruments:** Following the amendment proposed in **[D2]**, this note needs to be credited by £2.6m to reflect this change.

Detail	Debit/ (credit) Fund Account £m	Debit/ (credit) Net Asset Statement £m
<b>[M1]</b> Investments		15.9
Change in market value	(15.9)	
<b>[M2]</b> Investment management expenses	2.6	
Change in market value	(2.6)	
<b>Total</b>	<b>(15.9)</b>	<b>15.9</b>



# Appendix 2: Control findings and disclosure deficiencies

## Current year findings

Finding	Recommendation
<p><b>Ineffective custodian transition reconciliations performed</b></p> <p>During the financial year, there was a gradual custodial transition from Bank of New York Mellon (“BNYM”) to Northern Trust (“NT”). There was a transition period of 4 months where both BNYM and NT were contracted as custodians of the Fund.</p> <p>Management did not complete a reconciliation effective 1 April 2022, but did attempt to reconcile BNYM figures to NT as at 30 April 2022 and 31 May 2022. These reconciliations showed a number of differences, with no explanation or resolution documented. A lack of controls in this area increases the risk of misappropriation of assets.</p>	<p>We recommend that for any transition of investments, an appropriate reconciliation is performed, with separate preparers and reviewers, so as to ensure completeness of transactions.</p>
<p><b>No communication of the change of custodian to those charged with governance</b></p> <p>From our review of the Committee minutes, we noted that the Committee was never informed or updated of the custodian transition work. We understand the custodian change was treated similar to any other change in the accounting and administration functions and therefore did not warrant reporting to the Committee.</p>	<p>The custody of the Fund’s assets is a fundamental service for the safeguarding and reporting of the Fund assets. Given the importance of this relationship and the impact of the reporting on the financial statements, we recommend that any changes in custodian should be treated with extreme care and has a detailed transition plan in place that is actively monitored.</p>
<p><b>Lack of evidence of robust review of the Draft Financial Statements</b></p> <p>During our review of the Financial Reporting process, we noted that there was no evidence that a detailed review of the draft financial statements had been performed prior to circulating these to Deloitte. In addition, the team do not complete any mathematical checks and have no clear detective checks which can explicitly highlight errors.</p>	<p>Prior to circulating the draft accounts to Deloitte, we recommend that these are appropriately reviewed using the relevant disclosure checklists and evidence of review sign-offs and completed peer review checklist is retained. We further recommend that a full call and cast of the financial statements is performed prior to circulating.</p>
<p><b>No evidence of a unit reconciliation of investments by management</b></p> <p>There is no evidence of review of the unit reconciliation provided by the custodian to management, which could lead to errors going unnoticed.</p>	<p>The custodian prepares a unit and cash reconciliation as part of the monthly reporting process. We recommend that management review these reconciliations to ensure completeness of transactions.</p>

# Appendix 2: Control findings

## Current year findings

Finding	Recommendation
<p><b>Reconciliation of contributions</b></p> <p>Contributions are due monthly by employers in North Yorkshire Pension Fund. As part of the reconciliation process, workbooks are prepared in Excel which do not have a proper sign-off and can be modified at any time. The absence of a proper audit trail can lead to errors going unnoticed.</p>	<p>We recommend that management put in place a version control to ensure that there is a proper audit trail for changes made. Moreover, we recommend that these spreadsheets are kept in a restricted folder on the network, which limits the access to appropriate people.</p>
<p><b>Lack of review of the monthly contributions reconciliation</b></p> <p>A monthly contributions reconciliation is performed by the business support team, who check the bank statements regularly and update the contributions spreadsheet by hardcoding the amounts which have been paid by the employers each month. They check the amounts paid against the pension contribution workbook the employer has provided and any differences are queried with the employer.</p> <p>However, we note no review of this reconciliation occurs, therefore the monthly bank and cash reconciliation is a compensating control. This is in regards to both normal employer and deficit contributions. In the financial year, as a result of sickness of the key member responsible for performing this reconciliation, the reconciliation process had been delayed by 8 months (bank and cash reconciliations did not occur for 8 months between April to June 2022 and October 2022 to February 2023). These were then completed retrospectively before the year end.</p> <p>We note a check such as this which has been completed retrospectively, months after the contributions have been paid, is not effective and can lead to losses to the Fund.</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"><li>1) Management put in place a review control so as to ensure the monthly contributions reconciliation is accurate.</li><li>2) Management put in place a supporting staff member familiar with the reconciliation process, so as to ensure this reconciliation is done on a monthly basis, even in case of absences.</li></ol>
<p><b>Checks on 'returned contributions' workbook received back from a new employer</b></p> <p>No formal checks are performed on the 'returned contributions' workbook received from a new employer to ensure the rates/other information input by the employer is accurate. This increases the risk of wrong contributions going unnoticed.</p> <p>We note that some mitigating controls are in place: A business support person at the Fund enters the amount per the returned workbook and verifies the amount received from the bank against this amount so any variation from the norm is recognised and queried. Additionally, there is a % tolerance built into the employer's return spreadsheet. If an employer puts in a wrong figure, it will flag and will not let them enter this.</p>	<p>We recommend that the fund put in place a protected spreadsheet, which makes it impossible for the employer to make changes to the rates, thus reducing the risk of incorrect contributions being paid to the Fund.</p>
<p><b>No review of the contributions spreadsheet after a new employer is added</b></p> <p>When a new employer joins the Fund, the Actuary notifies the Fund with the name and the rates for that employer. This is the basis for populating the contributions workbook. There is however no review to ensure the rates input are correct before being sent to the new employer. This increases the risk of an employer paying incorrect contributions.</p>	<p>We recommend that management put in place a review control so as to ensure the contributions workbook is reviewed before being sent to the new employer.</p>

# Appendix 2: Control findings and disclosure deficiencies

## Current year findings

Finding	Recommendation
<p><b>Password parameters for Oracle application and Windows AD</b></p> <p>It has been noted that the following password parameters are not set appropriately as per password policy: Oracle: Password history Windows AD: Password history, lock out threshold and lockout duration</p> <p>In mitigation, it has been noted that if accounts are not logged into for more than 56 days, then the accounts are investigated to ensure that the user is still present at the Council and their access remains appropriate, Therefore, there is some protection regarding prevent unauthorised access to the system. Also, other password parameters existent on Oracle are compliant with industry standards and increase the resilience of the system against unauthorised access and brute force attacks. These parameters are: minimum length, complexity, password expiry, lockout threshold and duration.</p>	<p>We recommend that appropriate password parameters are implemented, so as to prevent a risk to financial data being affected.</p>
<p><b>Posting of journals is not restricted to the Fund team</b></p> <p>Anyone in the finance team (over 50 employees) has the ability to post journals to the Fund accounts. There is no restricted access to just the Fund employees; however, any journals posted by non-Fund team members will be picked up during the account reconciliation process that occurs during the year at different times for different sections of the accounts (payroll monthly, contributions quarterly, investments annually). Given the vast amount of transactions posted, there is a risk that unauthorised transactions go unnoticed.</p> <p>In addition, from discussions with the administration team, we note that there is no review of the journals prior to posting to Oracle. The lack of review increases the risk of potential errors going unnoticed.</p>	<p>We recommend that management implement restricted access on the Oracle system to only allow certain Fund team staff permissions to post journals.</p> <p>We further recommend that a formal review control is put in place with an appropriate audit trail so as to ensure every journal is reviewed by another person prior to posting to Oracle.</p>
<p><b>Process for Starters is not comprehensive</b></p> <p>From the review of the Starter process it was noted that the process is very generic and high-level. The following issues were noted:</p> <ol style="list-style-type: none"><li>1. Unclear definitions: the term P035 is used without context or definition which could be misleading.</li><li>2. Incomplete process description: the steps seem high level and lack detailed guidance on how to execute each part of the process, including form submission, account creation and approval flows.</li><li>3. Lack of roles and responsibilities: roles and responsibilities are not defined clearly to delineate who is responsible for each step.</li><li>4. Approval process ambiguity: the approval process mentions an external person without defining the role or the scope of their authority.</li><li>5. Missing provisions for exceptions: the process does not account for what should happen in case of errors or deviations from the standard procedure.</li><li>6. Insufficient security checks: there are no explicit mentions of security checks or considerations, especially in the creation and management of new accounts.</li></ol>	<p>We recommend that the Starter process is revised to take into account the points noted.</p>

# Appendix 2: Control findings and disclosure deficiencies

## Current year findings

Finding	Recommendation
<p><b>Process for leavers is not comprehensive</b></p> <p>From the review of Leaver process, it was noted that process is very generic and high-level. Following issues were noted:</p> <ol style="list-style-type: none"><li>1. The lack of detailed procedures - the document does not provide detailed instructions for each step. This could lead to inconsistencies in executing the process.</li><li>2. Absence of role definitions - there is no clear indication of who is responsible for each task.</li><li>3. No timeline specifications - there are no specified timeframes for completing each action, which could lead to delays or overlooked tasks</li><li>4. The document does not address how to handle any exceptions or unforeseen circumstances that might arise during the process</li><li>5. There is no indication of how often the procedure is reviewed and updated, which is important to keep the process aligned with business needs.</li></ol>	<p>We recommend that the Leaver process is revised to take into account the points noted.</p>
<p><b>Starters - Access Mirroring For Users on Oracle, ResourceLink, Heywood Altair and Windows AD.</b></p> <p>Access permissions for new users that determine what the new users can access is based on a 'same as user' approach. This involves the copying the permissions from an existing user (as instructed by Line Managers) rather than utilising specific role-based profiles. Without understanding fully what access the user being copied has, and what this access can do, colleagues' access may be replicated inappropriately leading to a proliferation of potentially inappropriate /excessive rights that are not in line with the user's role. There is an increased risk that inappropriate combinations of privileges unknown to management may be cloned to users, increasing the risk of inappropriate activity.</p>	<p>We recommend that management review access rights to ensure no inappropriate access has been granted to new users.</p>
<p><b>Same preparer and reviewer in Altair</b></p> <p>Altair does not prevent the same individual being both preparer and reviewer, increasing the risk of the same individual preparing and reviewing the same benefit calculation. There are no controls within Altair to prevent this from occurring.</p>	<p>We recommend that management put in place a control outside of Altair to monitor the segregation of duties in the calculation of benefits, so as to prevent the same preparer and reviewer occurring.</p>

# 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:

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### 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.

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### Fees

Our initial audit fee for the year ended 31 March 2023 is £20,205 for the Fund. The fee reflected here is the scale fee. 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. It also excludes the fee for in year changes such as new auditing standards, which will be billed separately.

The above fees exclude VAT.

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### Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Scheme'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.

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### Ethical Standard 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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# Appendix 3: Outstanding items

## Items outstanding at the date of issue of this report

Our final opinion is subject to completion of these items.

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- Reconciliation of member data disclosure to underlying records
  - Receipt and review of updated statement of accounts
  - Resolution of sundry queries
  - Satisfactory completion of our post year-end events review
  - Finalisation of our internal quality control procedures
  - Final partner and technical review clearance
  - Receipt of signed management representations letter
-



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