



Dorset
Council

Pension Fund Committee

Date: Tuesday, 17 September 2024
Time: 1.30 pm
Venue: Committee Room 2, County Hall, Dorchester, DT1 1XJ

Membership: (Quorum 3)

Andy Canning (Chair), Andy Todd (Vice-Chair), John Beesley, David Brown, Will Chakawhata, Adrian Felgate, Felicity Rice, Andy Skeats and Gary Suttle

Chief Executive: Matt Prosser, County Hall, Dorchester, Dorset, DT1 1XJ

For more information about this agenda please contact Democratic Services Meeting Contact joshua.kennedy@dorsetcouncil.gov.uk

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Agenda

	Page No
11. INDEPENDENT AUDITOR'S REPORT 2021/22	3 - 26
To consider the pension fund's independent auditor's report for 2021/22.	
(Appendix 2 to follow as a late supplement).	

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Dorset County Pension Fund
Final report to the Pension Fund Committee on
the 2022 audit

16 September 2024

Contents

01 Final Report

Executive summary	3
Responsibilities of the Pension Fund Committee	4
Scoping	5
Significant risk and audit focus areas	6
Other risks	9
Purpose of our report and responsibility statement	11

02 Appendices

Uncorrected misstatements	13
Other disclosure recommendations	14
IT specialist findings	17
Real Estate specialist findings	20
Our other responsibilities explained	21
Independence and fees	22



Executive Summary

The key messages in this report:

I have pleasure in presenting our Final Report to the Pension Fund Committee for the 2022 audit of the Dorset County Pension Fund (the 'Fund'). The completion of the audit of the Pension Fund has been delayed until the 2021 audit was complete and the Dorset Council financial statements for 2022 were ready to be signed. 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:

Page 5 A **robust** challenge of the 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.

Status of the audit

Our audit is substantially complete with the following outstanding items:

- completion of quality reviews and sundry queries
- completion of review of IAS26 assumptions by actuarial specialists
- subsequent events review to the date of signing
- receipt of signed letter of representation

Significant audit risk and audit focus areas

We identified the following risks:

- Significant audit risk: management override of controls.
- Significant audit risk and area of audit focus: directly held property testing has been a blended approach of significant risk and an area of audit focus. In our prior year audit, 4 property valuations were highlighted by our Real Estate Advisory Specialists as requiring monitoring in future audits. These properties have been classified as significant risks at the planning stage. The remaining properties were tested as an area of audit focus tested via a substantive analytical review. An additional 3 properties fell outside of our calculated thresholds, they were upgraded to significant risks and referred to our Real Estate Advisory Specialists for further testing.
- Area of audit focus: Completeness and valuation of investments.

Please refer to pages 6 to 10 for details of our audit conclusions. There are no corrected misstatements. Non-material uncorrected misstatements are noted on page 13. Non-material other disclosure recommendations are noted on pages 14 to 16. Audit insights as a result of our testing have been included in pages 17 to 20.

Materiality

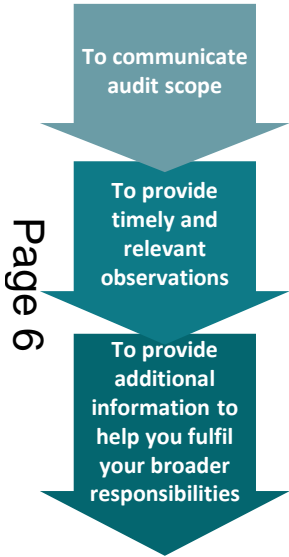
Our materiality was £37.0m (2020/21: £33.5m) based on 1% of the net assets of the fund. The current year misstatements reporting threshold is £740k (2020/21: £670k) based on 2% of materiality.

Ian Howse
Audit Partner

Responsibilities of the Pension Fund Committee

Helping you fulfil your responsibilities

Why do we interact with the Pension Fund Committee?















We set out here a summary of the core areas of Pension Fund Committee in respect of the broader responsibility areas of the audit.








Scoping

Risk dashboard

Risk Identified	Material Balance	Management Judgement /Complexity	Controls Approach	Fraud Risk	Summary conclusion
 Significant Risk Management override of controls			D&I		Pg. 6
 Significant Risk Valuation of directly held property investment (for certain properties identified at the planning stage or upgraded during the testing phase)			D&I		Pg.7
 Other Focus Area Valuation of directly held property investment (for all other properties)			D&I		Pg. 8

Page 7

 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 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.

Deloitte response to significant risk identified

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

- Used 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 which are tested to supporting documentation;
- 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;
- 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;
- Tested the design and implementation of controls around the journals process;
- Reviewed related party transactions and balances to identify if any inappropriate transactions have taken place;
- Reviewed 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
- Assessed whether there is an appropriate level of segregation of duties over processing journal entries to the financial statements throughout the year.

Conclusion

No issues were noted as a result of our testing.

Valuation of directly held property investment

Significant risk (for certain properties identified at the planning stage or upgraded during the testing phase) and **Other Focus Area** (for all other properties)

Risk identified

The Fund holds direct property valued at £274m as at 31 March 2022 (2021: £261m). There is a high level of management judgement used when valuing the property. Directly held property valuation testing is a blended approach of a significant risk and an area of audit focus. In our prior year audit, 4 property valuations were highlighted by our Real Estate Advisory Specialists as requiring monitoring in future audits. These properties have been classified as significant risks at the planning stage.

An additional 3 properties fell outside of our calculated thresholds, they were upgraded to significant risks and referred to our Real Estate Advisory Specialists for further testing.

Deloitte response to significant risk and other focus area identified

In order to address the risk, we performed the following audit procedures:

- Reviewed the design and implementation of key controls over the valuation of investments by obtaining the investment manager internal control reports (where applicable) and evaluating the implications for our audit of any exceptions noted;
- Assessed the reliability, competence and capabilities of CBRE as valuer;
- Agreed the year end valuations as reported in the financial statements to the reports received directly from the investment managers;
- Agreed a sample of properties to land registry documents and yearly rent to rental agreements;
- Prepared an expectation of the year end valuation for properties held by the Fund using comparable market indices and comparing the expectation to the valuation provided by CBRE; and

Additional procedure for significant risk properties only:

- Consulted with property specialists within Deloitte Estate Advisory (RAA) to review the valuation of the individual properties.

Conclusion

7 out of 29 of the properties were identified as a significant risk and referred to RAA for further testing, all other properties were within expectation. No misstatements were noted as a result of our additional testing. However, our property specialists raised a number of insights which have been included on page 20.

Completeness and valuation of 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 including property, diversified growth funds and multi asset credit. These funds do not have publicly available prices and are often infrequently priced, increasing the risk of stale pricing.

Deloitte response to audit focus area identified

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

- Tested the design and implementation, and the operating effectiveness where applicable, of key controls over the completeness and valuation of investments by obtaining the custodian and investment manager internal control reports (where applicable) and evaluating the implications for our audit of any exceptions noted;
- Vouched all holdings in the custodian report to independent confirmations received from the underlying investment managers;
- Performed a book cost reconciliation in which the opening investment balances are reconciled to the closing investment balances by taking into account the sales and purchases during the year using State Street reports;
- Performed a cash reconciliation;
- Agreed the valuation of registered funds and directly held securities to publicly available prices;
- Performed 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; and
- Evaluated any stale price differences noted.

Conclusion

We have noted a number of investment misstatements. Non-material uncorrected misstatements are noted on page 13. Non-material other disclosure recommendations are noted on pages 14 to 16.

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.	<p>As part of our testing we:</p> <ul style="list-style-type: none"> Examined the latest publicly available information regarding the financial position of the administering body; Analysed the latest funding position of the Fund; Reviewed minutes of the Local Pension Board and Pension Fund Committee meetings. <p>No issues were noted as part of our testing.</p>
Fraud	Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.	<p>As part of our testing we:</p> <ul style="list-style-type: none"> Performed procedures to assess the risk of management override as detailed on page 6; Reviewed the controls in place surrounding fraud risks including disinvestments; and Agreed 100% of investments to third party investment confirmations. <p>No issues were noted as part of our testing.</p>
GMP Equalisation	The High Court judgement on 26 October 2018 confirmed that UK pension schemes should provide equal benefits for men and women for service from May 1990 despite inequalities in GMP legislation. The judgement also confirmed permitted methods.	<p>As part of our testing we:</p> <ul style="list-style-type: none"> confirmed with the Fund Actuary any changes in the assessment of the impact of GMP Equalisation and GMP Equalisation on transfers on the Fund; and confirmed that no disclosures are required to be made in the financial statements due to the limited impact. <p>No issues were noted as part of our testing.</p>
McCloud and Sargent judgements	In December 2018, the Court of Appeal found that transitional protections in the pension schemes for firefighters ('McCloud') and the judiciary ('Sargeant') resulted in unlawful age discrimination.	<p>As part of our testing we:</p> <ul style="list-style-type: none"> confirmed with the Fund Actuary any changes in the assessment of the impact of the McCloud and Sargent judgements on the Fund; and Confirmed that appropriate disclosures have been made in the financial statements. <p>We have noted on page 16 that the McCloud and Sargent judgements wording should be updated to reflect recent communications to members.</p>

Other risks

Other audit considerations

Area of focus	Description	Audit response
Russia Ukraine war	Subsequent to the year end, Russia has invaded Ukraine	As part of our testing we: <ul style="list-style-type: none"> Confirmed that the pension fund had a relatively small indirect exposure to Russia through investments in the Emerging Markets Fund managed by Brunel. This equated before the invasion to about 3% of the value of that investment. Brunel instructed their underlying managers to divest from their Russian positions once the invasion had started and the remaining underlying holdings in Russia now have a zero value. This is a non adjusting subsequent event.
September 2022 gilt crisis	Subsequent to the year end, the market turmoil after the September 2022 mini-budget, liability-driven investment (LDI) funds risked being unable to meet cash collateral demands on the complex derivatives and repurchase agreement they had used to hedge against movements in interest rates	As part of our testing we: <ul style="list-style-type: none"> Confirmed that the collateral calls in the Fund’s segregated insight LDI portfolio were made from the liquidity holdings in the portfolio without selling additional assets. In November 2022, a decision was made to disinvest the mandate. This is a non-adjusting subsequent event, however due to its importance to the users of the financial statements we had recommended that disclosure is made in the financial statements. As noted on page 14, we conclude that this missing disclosure is not material.

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 Pension Fund Committee discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 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.
- Other insights we have identified from our audit.

Out of the scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

This report has been prepared for the Pension Fund 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 Pension Fund 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.

Ian Howse

For and on behalf of Deloitte LLP

16 September 2024

Appendices

Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report.

		Debit/ (credit) fund account £m	Debit/ (credit) in net assets £m	Debit/ (credit) Prior year net assets £m
Misstatements identified in current year				
Stale pricing				
DR Investment assets – pooled investment vehicles	[1]	(8.001)	8.001	
CR Change in market value				
Misstatements identified in prior years				
Stale pricing				
DR Opening net assets	[2]	24.633		(24.633)
CR Change in market value				
Total		16.632	8.001	(24.633)

[1] Stale price adjustments noted in the current year

[2] Stale price adjustments noted in the prior year (as disclosed in the prior year misstatement schedule)

Audit adjustments

Disclosure

Other disclosure recommendations

Although the omission of the following disclosures does not materially impact the financial statements, we are drawing the omitted disclosures to your attention because we believe it would improve the financial statements to include them or because you could be subject to challenge from regulators or other stakeholders as to why they were not included.

LGPS Ref	Code reference	Disclosure requirement	Quantitative or qualitative consideration
PFA 48	6.5.3.6 b)	<p><i>Net assets statement</i></p> <p>b) Investment liabilities:</p> <ul style="list-style-type: none"> – Derivative contracts (including futures, options, forward foreign exchange contracts and swaps) <p><i>On the net assets statement, derivatives have been netted and shown as a net liability under the Investment assets heading rather than split between Investment assets and investment liability headings</i></p>	<p><i>Derivate assets are £3,335k and liabilities are £227k. The amounts are not material.</i></p>
PFA 7	3.8.4.3, 6.5.5.1 t)	<p><i>Note 6 Events after the reporting date should refer to the impact of the September 2022 gilt crisis.</i></p>	<p><i>By Dec 22, the investment value is £3,416,769k which is a 2.3% increase since 31 March 2021. As there has not been a significant decrease in the asset value, the users of the accounts would not be misled by this missing disclosure</i></p>
PFA 44	3.4.4.1 7)	<p><i>Note 11</i></p> <ul style="list-style-type: none"> – fees payable to appointed auditors for audit services – fees payable to the appointed auditor for any other services provided 	<p><i>Audit fees are £23k. The amounts are not material.</i></p>

Audit adjustments

Disclosure (continued)

Other disclosure recommendations (continued)

LGPS Ref	Code reference	Disclosure requirement	Quantitative or qualitative consideration
PFA 42	6.5.2.6, 6.5.3.6 a) 4.4.4.2 2)	<i>Note 12 Investment income:</i> - <i>Has a sub heading for direct property, this would be better described as rent from properties</i>	<i>The investment income amount from direct properties is £11,042k which is not material.</i>
PFA 60	4.4.4.2 4.4.4.4	Where the information is material, has the pension fund disclosed the following notes in relation to investment property: a) The amounts recognised in the fund account for – Direct operating expenses (including repairs and maintenance) arising from investment property d) A reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following: – Additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of an asset – Net gains or losses from fair value adjustments – Other changes	a) <i>The property expense amounts are not material.</i> b) <i>Property purchases of £5,940k and sales of £32,292k are shown in Note 15 are not material.</i>
PFA 75	2.10.4.1 3) e) iv)	<i>Note 17 – fair value measurements within Level 3</i> f) For recurring fair value measurements categorised within level 3 of the fair value hierarchy, has the pension fund disclosed the amount of the total of realised and unrealised gains or losses for the period in relation to those assets and liabilities held at the end of the reporting period	<i>Deloitte have noted a difference between realised gains and losses in the note with the opposite difference in unrealised gains and losses for the below level 3 investment types:</i> <i>Pooled investments - £912k understatement</i> <i>Property - £5,390k overstatement</i>

Audit adjustments

Disclosure (continued)

Other disclosure recommendations (continued)

LGPS Ref	Code reference	Disclosure requirement	Quantitative or qualitative consideration
PFA 67	2.10.4.1	<p>Where the information is material, has the pension fund made the following disclosures for all assets and liabilities measured at fair value in the Code:</p> <p>1) Information that helps users of its financial statements assess both of the following:</p> <p>a) For assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the net assets statement after initial recognition, the valuation techniques and inputs used to develop those measurements</p> <p><i>The basis of valuation has not been given for the following categories:</i></p> <ul style="list-style-type: none"> - <i>Level 1 other investments</i> - <i>Level 2 cash and cash equivalents</i> - <i>Level 3 shares in asset pool</i> 	<p><i>Level 1 other investments are £1,241k which are not material.</i></p> <p><i>Level 2 derivatives are £3,108k which are not material.</i></p> <p><i>Level 3 shares in Brunel asset pool of £838k which are not material.</i></p>
PFA 45	6.5.5.1 u)	<p><i>Note 21</i></p> <p>b) In respect of additional voluntary contributions:</p> <ul style="list-style-type: none"> - The value at the year-end date of separately invested additional voluntary contributions 	<p><i>The invested AVC amount is unknown. Based on the range of market value of AVCs as a proportion of net investments of 0.06% to 0.45% for the other LGPS audited by Deloitte which provide this disclosure, the amount is not expected to be material.</i></p>
PFA 63	6.5.5.1 t)	<p><i>Note 24</i></p> <p>Contingent liabilities</p>	<p><i>Deloitte have noted an understatement of £15,860k to the capital commitment amount of £54m disclosed in the financial statements.</i></p> <p><i>The subsequent event note for the impact of the McCloud and Sargent judgements should be updated for recent communications to members</i></p>

Audit insights

IT specialist findings

Observation	Year first communicated and severity	Deloitte recommendation
UPM		
<p>Application user access management controls</p> <p>The mover and leaver processes do not include notification from HR to the Pension systems team for timely removal of the account. Instead the process is reliant on managers notifying the Pension systems team when access needs to be modified or removed. This increases the risk of accounts retaining inappropriate access after the termination date of the user.</p>	2022 - medium	<p>Any modification to the access of users moving roles should be formally communicated and approved, with redundant access removed before new access is granted.</p> <p>We recommend that a formal process is documented for removing the access of leavers on UPM. This process should involve communication from HR to the Pension Systems team to notify of leavers from the business. Access should be disabled or removed in a timely manner upon receiving the HR notification.</p>
<p>Application user access management controls continued</p> <p>The current process for reviewing user access to UPM only takes into consideration the employment status of the user and not the specific levels of access the user has on the system.</p> <p>Although the user base of the application is relatively small, it is important to periodically review access rights to ensure these remain appropriate for a user's job roles and responsibilities.</p> <p>Where weaknesses in user access management controls exist, there is an increased risk that users are granted or retain levels of access inappropriate for their job role and accounts belonging to leavers remain active and open to misuse</p>	2022 - medium	<p>We recommend that as part of the user review process currently in place, formal documentation should be maintained and signed off by appropriate business heads, confirming that the current access in the systems does not allow users to perform conflicting actions via UPM. Furthermore, the following aspects should be taken into consideration while performing access reviews:</p> <ul style="list-style-type: none"> • Access rights are provided based on Principle of Least Privilege basis. This will limit access rights for users to the bare minimum permissions they need to perform their work. • If access management is performed outside the IT department, ensure adequate segregation of duties and monitoring controls are in place; • Review roles and functions to ensure there is no conflicting access built-in with them.

Audit insights

IT specialist findings (continued)

Observation	Year first communicated and severity	Deloitte recommendation
UPM SQL database		
<p data-bbox="92 412 477 434">Database privileged access control</p> <p data-bbox="92 476 705 722">The account UPM2Live does not enforce Windows password policies or Windows expiration policies as an authentication mechanism and the account also holds a privileged fixed database role on the SQL database. The password is known only to CIVICA, however it is not known how they store/manage the password and the Council do not monitor or audit what the third party do on the database</p> <p data-bbox="92 765 705 851">The account sqldorcc, which has sysadmin privileges on the database is not securely stored in the password manager.</p> <p data-bbox="92 893 705 1072">The Group Server-Civica-Pensions-Admins, which has sysadmin privileges on the database, contains members of the third party, CIVICA. These users have standing sysadmin access to the database, however the Council do not monitor or audit what the third party do with this access.</p> <p data-bbox="92 1115 705 1229">Where access to privileged database accounts is not restricted, there is a risk that inappropriate access can be obtained, providing the ability to directly modify the underlying data.</p>	2022 - medium	<p data-bbox="1000 412 1818 469">We recommend that privileged access to the database is restricted only to users in IT who require this as part of their day to day job role.</p> <p data-bbox="1000 526 1818 612">Passwords to privileged database accounts should be suitably complex and restricted to relevant members of IT via password vaults or other secure methods.</p> <p data-bbox="1000 669 1818 755">The accounts on the database should be periodically reviewed on a bi-annual basis to ensure the access rights they hold are still appropriate for their current role.</p>

Audit insights

IT specialist findings (continued)

Observation	Year first communicated and severity	Deloitte recommendation
UPM implementation		
<p data-bbox="79 405 826 448">System implementation and data migration</p> <p data-bbox="79 472 826 629">The data migration from Altair to UPM was performed without a formal data mapping being undertaken to identify which data from Altair had been migrated to which areas of UPM. There was also no proper data cleansing performed in Altair prior to the migration.</p> <p data-bbox="79 658 826 758">Standard reports in the application were not available upon implementation, including standard legislative and regulatory reports.</p> <p data-bbox="79 786 826 886">When data cleansing and data mapping exercises are not performed prior to a data migration, there is an increased risk that data in the new system is incomplete and not accurate.</p>	<p data-bbox="826 405 1039 448">2022 - medium</p>	<p data-bbox="1039 405 1850 505">We recommend management perform reconciliations over data between the two systems to confirm the completeness and accuracy of data migration during the implementation.</p>

Audit insights

RAA property specialist findings

Observation

BNP valuer

BNP has acted in accordance with instructions from Dorset County Pension Fund dated 24 February 2005. If necessary, the valuers instructions should be renewed to cover future valuations, having consideration to the RICS's current rules on the rotation of valuation firms for regulated purpose valuations.

Regarding input selection, BNP do not explicitly reflect void holding costs of empty business rates, insurance, or service charge (where relevant). In follow up the valuer has confirmed that these costs are recognised implicitly in the capitalisation rates applied. This is accepted although we would consider the approach simplistic and not reflective of wider market practice.

Detailed Argus Enterprise reports provide visibility to all of the subjective valuation inputs. We recommend in future that these are made available at the outset by the valuers as part of their initial reporting procedure rather than the summary overview only.

Nottingham - Cathedral Retail Park

Rental income is being recognised which is not in practice being received by the Fund. This does not align with market practice.

London - 83 Clerkenwell Road

BNP receives quarterly updates from the fund manager on the costs spent, which they accepted and reflected in their valuation. The singular input for the remaining costs in the valuation of this development asset is simplistic and lacks the robustness we would expect.

F&G EPC ratings, cladding and reinforced autoclaved aerated concrete (RAAC)

We recommend the existence of any of the above items is provided to the valuer and considered in the valuation report.

Deloitte recommendation

We recommend the observations above are monitored in future years.

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.



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.



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.



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 risks of material misstatement due to fraud through management override of controls.
- 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



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 Pension Fund 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.



The Pension Fund Committee

- How the Pension Fund Committee exercise 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 Pension Fund Committee has knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of the Pension Fund Committee on the most significant fraud risk factors affecting the entity.

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.

Fees

Our audit fee for the year ending 31 March 2022 is £19,362. There are also additional fees of £2,500 per IAS19 letter to the 3 relevant employers.

The above fees exclude VAT and out of pocket expenses.

No-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.

While not considered an affiliate, we monitor the level of audit services provided by Deloitte to the Brunel Pension Partnership. The aggregate services provided in 2022 was £472K.



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