Grant Thornton

The Audit Findings Report for London Borough of Islington Pension Fund

Year ended 31 March 2023

March 2024

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Risk Committee.

Name : Paul Dossett
For Grant Thornton UK LLP
Date : March 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of London Borough of Islington Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

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

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our work on the Pension Fund financial statements is complete. Our audit work was completed during October 2023 - February 2024. Our work was budgeted to take place over a period of 4 weeks. However, as a result of delays further explained on page 13 of this report, our work was completed in 16 weeks. Our findings are summarised on pages 5 to 15.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding closing procedures:

- receipt and review of the pension fund letter of representation; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated opinion on the financial statements will be unmodified.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report in March 2024.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Mercer Limited. The results of the latest triennial valuation are reflected in the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. We tested the data provided to the actuary and were satisfied the data agreed to underlying source documents. No errors were identified.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Risk Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not altered our Pension Fund Audit Plan as communicated to you in September 2023.

Conclusion

We have completed our audit of the Pension Fund's financial statements and subject to outstanding closing procedures set out on page 3 being resolved, we anticipate issuing an unqualified opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by management, the finance team and other staff throughout the audit process.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the performance materiality due to the actual gross investment assets changing significantly from previous year resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for the Pension Fund.

	Pension Fund Amount (£)
Materiality for the financial statements	34,000,000
Performance materiality	23,800,000
Trivial matters	1,700,000
Materiality for fund account	7,900,000

We have applied a lower specific materiality for the fund account for the first time this year. As a result of applying the lower specific materiality, our scope of work on the fund account balances has increased on fund account balances. This is aimed at enhancing our assurance on the fund account balances which are quantitatively lower than balances within the net asset statement.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	Audit procedures undertaken in response to the identified risk included: • evaluating of the design effectiveness of management controls over journals; • analysing the journals listing and determining the criteria for selecting high risk unusual journals; • testing unusual journals recorded during the year and the accounts production stage for appropriateness and corroboration; • gaining an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and • evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions. We have evaluated the accounting estimates and critical judgements applied by management and concluded that these are reasonable. We also concluded that management's rationale in changes of estimates was reasonable. We tested a total of 30 journals and have not identified any material issues from our work. Furthermore, we have not identified any significant unusual transactions nor changes in accounting policies.
Improper revenue recognition (Rebutted)	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. In the Audit Plan, we reported that having considered the risk factors set out in ISA240 and the nature of the Pension Fund revenue streams, we had determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including London Borough of Islington, mean that all forms of fraud are seen as unacceptable. Therefore, we did not consider this to be a significant risk for the London Borough of Islington Pension Fund. There have been no changes to our assessment as reported in the Audit Plan.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of level 3 investments The Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£308.9 million at 31 March 2023) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgmental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023.	Audit procedures undertaken in response to the identified risk included: • evaluating management's processes for valuing Level 3 investments; • reviewing the nature and basis of estimated values and assessing what assurance management has over the year end valuations provided for these types of investments, to ensure that the requirements of the Code were met; • independently requesting year-end confirmations from investment managers and the custodian. • for level 3 investments, testing the valuation by obtaining and reviewing the 8 fund manager audited accounts for level 3 investments, at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciling those values to the values at 31 March 2023 with reference to known movements in the intervening period; • evaluating the competence, capabilities and objectivity of the valuation expert through review of all 17 service auditor reports; • where available, reviewing investment manager service auditor report on design and operating effectiveness of internal controls; • evaluating management's processes and assumptions for the calculation of the estimated direct property valuation, the instructions issued to valuation experts and the scope of their work; • evaluating the competence, capabilities and objectivity of the valuation expert; • writing to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code were met. • engaging our own valuer to assess the instructions to the Pension Fund direct property valuer, the valuer's report and the assumptions that underpin the valuation. The Level 3 investment balance recorded in the financial statements is based on the figure provided by the fund's custodian. The custodian's balance is estimated utilising the December 2022 audited figure adjusted for movements from 1 January 2023 to 31 March 2023. The custodian's estimate does not account for the market movement between 1 January 2023 to 31 March 2023. Once the movement in markets is factored into the valuation, the level 3 investments is reduced by £955k. The difference is not material to the financial statements and as such, it has not been adjusted. As part of gaining assurance over Level 3 investments, we review the audited statements of individual pension fund investments. We note three investments with a total of £2.9m, the auditor's opinion therein included an 'emphasis of matters' (EoM) stating that the audited accounts were not prepared on a going concern basis. The value of the investments were not material to the financial statements.

2. Financial Statements: Other risks

Risks identified	Commentary
Valuation of level 2 investments While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. We therefore identified the valuation of the Fund's Level 2 investments as a risk of material misstatement.	Audit procedures undertaken in response to the identified risk included: • gaining an understanding of the Fund's process for valuing Level 2 investments and evaluating the design of the associated controls; • reviewing the nature and basis of estimated values and considering what assurance management has over the year end valuations provided for these types of investments; • independently requesting year-end confirmations from investment managers and custodian; • reviewing the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records and seeking explanations for variances; • testing a sample of the underlying investments to quoted prices; and • reviewing all investment manager service auditor reports on design effectiveness of internal controls. The Level 2 investment balance recorded in the financial statements is based on the figure provided by the fund's custodian. The custodian's balance is estimated utilising the December 2022 audited figure adjusted for movements from 1 January 2023 to 31 March 2023. The custodian's estimate does not account for the market movement between 1 January 2023 to 31 March 2023. Once the movement in markets is factored into the valuation, the level 2 investments are increased by £1.2m. The difference is not material to the financial statements and as such, it has not been adjusted.
Contributions Contributions from employers and employees' represents a significant percentage of the Fund's revenue. We therefore identified the completeness and accuracy of the transfer of contributions as a risk of material misstatement.	Audit procedures undertaken in response to the identified risk included: • evaluating the Fund's accounting policy for recognition of contributions for appropriateness; • gaining an understanding of the Fund's system for accounting for contribution income and evaluating the design effectiveness of the associated controls; • testing a sample of contributions to source data to gain assurance over their accuracy and occurrence; and • testing relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained. We have not identified any material issues from our work, however, management was not able to reconcile a difference of £673,190 between the contributions' listings provided and the amount disclosed in the financial statements. This results in a potential overstatement of contributions in the financial statements. The difference is not material to the financial statements and as such, it has not been adjusted.
Pension benefits payable Pension benefits payable represents a significant percentage of the Fund's expenditure. We therefore identified the completeness, accuracy and occurrence of the transfer of pension benefits payable as a risk of material misstatement.	Audit procedures undertaken in response to the identified risk included: • evaluating the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • testing a sample of lump sums and associated individual pensions in payment by reference to member files; and • testing relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained. We have not identified any material issues from our work.

2. Financial Statements: Other risks

Risks identified	Commentary
Actuarial Present Value of Promised Retirement Benefits The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements. The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (£1.9 billion as at 31 March 2023) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as a risk of material misstatement.	Audit procedures undertaken in response to the identified risk included: • updating our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated and evaluating the design of the associated controls; • evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessing the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • assessing the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • testing the consistency of disclosures with the actuarial report from the actuary; and • assessing the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. We have not identified any material issues from our work.
Fraud in expenditure recognition Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially when an entity is required to meet financial targets. Having considered the risk factors relevant to Islington Pension Fund and the nature of the expenditure at the Council and Fund, we have determined that no separate significant risk relating to relating to expenditure recognition is necessary, as the same rebuttal factors outlined on page 7 relating to revenue recognition apply. We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests and our testing in relation to the significant risk of management override of controls set out on page 7.	Audit procedures undertaken in response to the identified risk included: • obtaining an understanding of the design effectiveness of controls relating to operating expenditure; • performing testing over post year end transactions to assess completeness of expenditure recognition; and • testing a sample of operating expenses to gain assurance in respect of the accuracy of expenditure recorded during the financial year. We have not identified any material issues from our work.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 investments – £315.6m	The Pension Fund has investments in level 3 assets that are valued in note 27 as at 31 March 2023 at £315.6m. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management relies on information provided by the fund managers and General Partners to the private equity funds, who prepare valuations in accordance with the International Private Equity and Venture Capital Valuation Guidelines and produce accounts to 31 December 2022 which are audited.	• We have assessed the appropriateness of the underlying information used to determine the estimate, including fund manager and custodian reports, and audited accounts of the level 3 investments as at 31 December 2022 • We have assessed the consistency of the estimate against peers and industry practice • We have reviewed the reasonableness of the increase in the estimate • We have assessed the adequacy of disclosure of estimate in the financial statements We note that the Pension fund have Level 3 investments of £104.9m described as Private debt which is material. The disclosure narrative accompanying the hierarchy of Valuation of Financial Instruments at Fair Value should disclose nature of the debt, how it is valued and when it was valued in accordance with the Code. Management agreed to amend the disclosure. We also note three of the individual pension fund investment audited accounts with a total of £2.9m included an EoM. Refer to page 8 for further details.	Light Purple
Level 2 Investments – £713.4m	The investments are not traded on an open exchange/market and the valuation of the investment is subjective.	• We have assessed the appropriateness of the underlying information used to determine the estimate • We have assessed the consistency of the estimate against peers and industry practice • We have reviewed the reasonableness of the increase in the estimate • We have assessed the adequacy of disclosure of estimate in the financial statements We have not identified any material issues from our work. We note the custodian's balance is estimated utilising the December 2022 audited figure adjusted for movements from 1 January 2023 to 31 March 2023. The custodian's estimate does not account for the market movement between 1 January 2023 to 31 March 2023. Once the movement in markets is factored into the valuation, the level 2 investments are increased by £1.2m. The difference is not material to the financial statements and as such, it has not been adjusted	Light Purple

Assessment

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

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Alusta	Detailed Roll forward ITGC (design effectiveness)	🟢	🟢	🟢	🟢	N/A
Cedar	Detailed Roll forward ITGC (design effectiveness)	🟡	🟡	🟢	🟢	N/A
Civica Pay	Detailed Roll forward ITGC (design effectiveness)	🟡	🟡	🟢	🟢	N/A
Resource Link	Detailed Roll forward ITGC (design effectiveness)	🟢	🟢	🟢	🟢	N/A

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Risk Committee. We have not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund and included in the Audit and Risk Committee papers.
Audit evidence and explanations	All information and explanations requested from management were provided. The financial statements were published and a full suite of supporting working papers was provided to the audit team prior to the commencement of the audit. The quality of working papers provided by the finance team to the audit team was good though the timeliness of responses could be improved. We note as part of our review of prior year comparatives against the 2021.22 audited financial statements that management had amended a small number of notes. We challenged management on the amendments made to the prior year comparisons. Management updated the prior year comparisons to be consistent with the 2021.22 audited accounts. We reviewed the updated prior year comparisons and identified no further errors. The review took additional time and meetings with management to resolve, which contributed to the length of time the audit has taken.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council and Pension Fund's banking and investment counterparties. This permission was granted, and the requests were sent. All of the requests were returned with positive confirmation. We experienced delays in obtaining the required investment confirmations from the Pension Fund's banking and investment counterparties. Our work was budgeted to take place over a period of 4 weeks, however, as a result these delays, the work took place in 16 weeks. The audit team had to continuously pause the work and continue when responses were received. We wrote to those solicitors who worked with the Council and Pension Fund during the year, to confirm the completeness of provisions and contingent liabilities. All responses requested have been received.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

2. Financial Statements: other communication requirements

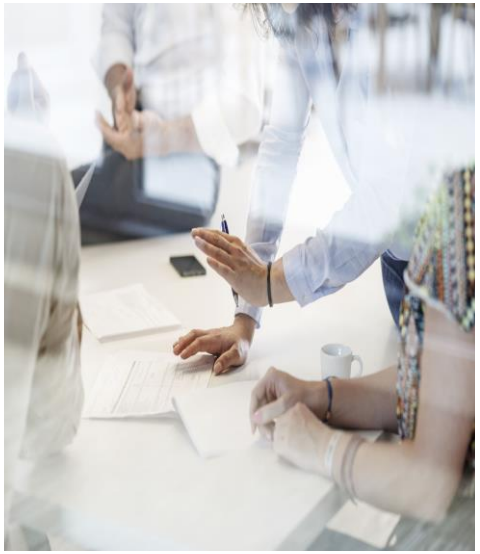
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, pension Fund Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We have nothing to report on these matters.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. We have nothing to report on these matters.



3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

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

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

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

3. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified which were charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

	Audit fee 2022/23
London Borough of Islington Pension Fund Audit fees (excluding VAT)	£57,920

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for services provided. No non-audit service was provided in the year.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Follow up of prior year recommendations

We identified the following issue in the audit of London Borough of Islington Pension Fund's 2021/22 financial statements, which resulted in a recommendation being reported in our 2021/22 Audit Findings Report. We have followed up on the recommendation and noted that it is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Pension Fund Level 3 investments** From our review of the sample of investment audited accounts, we identified 4 investments totalling £4m where the auditor's report on the investments was unqualified but reported an 'emphasis of matter' on going concern. Risk of Fund investment valuations may be materially overstated **Prior year recommendation** Recommended management put in place additional procedures that include regular reviews of Fund investments audited accounts and auditor's report for modification or qualification of opinion and where Funds are in liquidation. These procedures should specify the actions to be taken where issues are identified and who is responsible for carrying out the actions.	**2022/23 management update** Management review audited accounts and auditors' reports for all fund investments as standard, and this information is also shared with the Custodians. Management will endeavour to get more information from third party providers where the reports raise any issues of concern. **Auditor follow up** Our testing in 2022/23 did identify a similar issue where three investments with a total of £2.9m, the auditor's opinion therein included an 'emphasis of matters' (EoM) stating that the audited accounts were not prepared on a going concern basis. The value of the investments were not material to the financial statements.
✓	**Pension Fund Level 3 investments** We note that the Pension Fund has Level 3 investments of £27.8m described as Private debt which is material. The disclosure narrative accompanying the hierarchy of Valuation of Financial Instruments at Fair Value should disclose nature of the debt, how it was valued and when it was valued in accordance with the Code. Management amended the disclosures, however, we note the Level 3 update did not set out the financial impact on key sensitivities that could change fair value significantly. **Prior year recommendation** Recommended management improve Level 3 disclosure in future years by disclosing the financial effect to be fully compliant with the Code.	**2022/23 management update** The sensitivity analysis for level 3 was included in the accounts for 21/22 and 22/23. **Auditor follow up** Our testing in 2022/23 did not identify a similar issue. Recommendation closed.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net assets for the year ending 31 March 2023.

Detail	Pension Fund Account £	Net Asset Statement £	Adjusted?
Note 12 and 12c: Audit Fees Prior year analysis for audit fees was based on an estimate. The Pension Fund team opted to amend the prior year audit fee to disclose the actual fees paid 2021/22. The increase of £18,000 is trivial bringing the total audit fees to £38,000. The amendment had an impact on a number of areas including Fund Accounts; Net Assets Statement; Note 12 Management expenses; Note 12c Oversight and Governance Cost; and Note 17 Current Liabilities.	(18,000)	(18,000)	Adjusted
Overall impact	(18,000)	(18,000)	

C. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Risk Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £	Net Asset Statement £	Impact on total net assets	Reason for not adjusting
Note 7: Contributions receivable There is a difference between the contributions' listings provided and the amount disclosed in the financial statements This results in a potential overstatement of contributions in the financial statements.	N/A	(673,190)	(673,190)	Impact is not material
Note 27: Financial Instruments The Level 3 investment recorded in the financial statement is based on the figures provided by the fund's Custodian. The Custodian balance is estimated on 31 December 2022 after adjustment. The custodian estimates does not account for the market movement between 1 January 2023 to 31 March 2023.	-	(955,505)	(955,505)	Impact is not material
Note 27: Financial Instruments The Level 2 investment recorded in the financial statement is based on the figures provided by the fund's Custodian. The Custodian balance is estimated on 31 December 2022 after adjustment. . The custodian estimates does not account for the market movement between 1 January 2023 to 31 March 2023.	-	(1,166,972)	(1,166,972)	Impact is not material
Overall impact	-	(2,795,667)	(2,795,667)	Cumulative error is not material

D. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 10: Benefits The total benefits payable in note 10 for the prior year was incorrectly disclosed as £50,422,000 in the first draft set of financial statements, instead of £51,746,000. This was a disclosure error (£1,324,000 - above our trivial threshold) and did not affect any other accounts. The error has been corrected in the final set of financial statements.	We recommend management improve on ensuring accuracy on comparative disclosures.	✓
Note 14a Investment detail The investment in bonds and fixed interest were amalgamated as one	We recommend the disclosure disaggregate the balance between bonds and fixed interest	✓
Note 27: Financial Instruments The table setting out the level 3 basis of valuation had not clearly set out the valuation technique used per the CIPFA Code. The sensitivity column did not disclose the financial impact setting out: a) brief analysis to support the assessment for each of the three level 3 instruments; and b) include in the disclosure the percentage change to be consistent with the CIPFA Code.	We recommend management improve Level 3 disclosure in future years by disclosing the financial effect to be fully compliant with the CIPFA Code.	✓
Note 12: Management Expenses In the prior year, a large portion of management expenses were incorrectly netted off against investments. This resulted in management expenses of £3,114,000 being disclosed. In the current year, management expenses (£12,237,000) have been correctly disclosed separately in the financial statements. This has resulted in an inaccurate comparative disclosure where there seems to be 293% increase in management expenses.	We recommend management add a narrative explanation explaining the difference between years.	X
Note 27: Financial Instruments The prior year level 3 financial instruments total was incorrectly disclosed as £182,111,000 instead of £176,383,000 as per audited 2021/22 financial statements. The resulting variance was £5,728,000 (above our trivial threshold).	We recommend management improve on ensuring accuracy on comparative disclosures.	✓
The prior year comparative figures were incorrectly disclosed on the following: Fund Account: Management expenses disclosed as £3,114k instead of £3,132k Net asset Statement: Current liabilities disclosed as £2,743k instead of £2,790k Note 12 and 12c: Oversight and Governance costs disclosed as £477k instead of £495k Note 17: Sundry creditors disclosed as £839k instead of £886k Note 27: Total Level 3 assets disclosed as £182,111kk instead of £176,383k	We recommend management update the prior year comparative figures to be consistent with the 2021/22 audited accounts	✓

D. Fees and non-audit services

Audit fees	Proposed final fee
Scale Fee	£22,420
Additional requirements – payroll change of circumstances (Information Provided by the Entity) IPE Testing	£500
Impact of ISA 540	£3,600
Impact of ISA 315	£3,000
Additional journals testing	£2,000
Other local factors taking into account the likelihood of extra sampling, testing, new guidance, investment valuation etc.	£5,036
IAS 19 assurance letter for scheduled and admitted bodies	£5,000
Derivatives testing	£4,364
Pension Fund Annual Report review	£5,000
Additional hours from the audit team from delays in delivery of audit evidence	£7,000
Total audit fees (excluding VAT)	£57,920

This covers all services provided by us and our network to the Pension Fund, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

We are also the auditor of the financial statements and fees in relation to Council are reflected on its separate Audit Findings Report. The final fee will be discussed with Management at the conclusion of the audit. All fees are subject to PSAA approval.

D. Fees and non-audit services

We confirm below our final fees charged for the audit. There are no non-audit or other audited related services that have been undertaken for the Pension Fund.

None of the below services were provided on a contingent fee basis.

Reconciliation of audit fees	Pension Fund Audit fees (Note 12c)
Fees per Audit Plan (proposed fee)	£44,556
Reconciling item: Increased audit requirements	£13,364
Fees per draft financial statements	£57,920

E. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

F. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Pension Fund with an unmodified audit report.

Independent auditor's report to the members of London Borough of Islington on the pension fund financial statements of Islington Pension Fund

Opinion

We have audited the financial statements of Islington Pension Fund (the 'Pension Fund') administered by London Borough of Islington (the 'Authority') for the year ended 31 March 2023 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Corporate Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

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

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

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

F. Audit opinion

Other information

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

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

We have nothing to report in this regard.

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Corporate Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities , the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director of Resources. The Corporate Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

F. Audit opinion

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit and Risk Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the fund's financial position, and
  - accounting estimates made in respect of the valuation of investment assets

F. Audit opinion

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Corporate Director of Resources has in place to prevent and detect fraud;
  - journal entry testing, with a focus on entries meeting the criteria determined by the audit team;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of level 3 investments, including directly-held investments in property and the IAS 26 pensions asset valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, the significant accounting estimates related to the valuation of level 3 investments, including directly-held investments in property, and the IAS 26 pensions asset valuation.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - **the provisions of the applicable legislation**
    - **guidance issued by CIPFA, LASAAC and SOLACE**
    - **the applicable statutory provisions.**
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited.

F. Audit opinion

Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

March 2024

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