The INTERIM Audit Findings Report for Northamptonshire Pension Fund

Year ended 31 March 2023

26 October 2023

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 have been discussed with management and will be discussed with the Pensions Committee.

Grant Patterson

Name: Grant Patterson
For Grant Thornton UK LLP
Date: 26 October 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Northamptonshire 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 audit work was completed remotely during July-September. Our findings are summarised on pages 23 to 27.

We have identified one adjustment to the financial statements that has resulted in a £7.6m adjustment to the Pension Fund's reported financial position. This is the result of a time lag in information being available to the Fund when it has to prepare its accounts. It is common in the sector and, in our view, does not constitute a control weakness at the Fund as management's process for calculating the estimate has not resulted in a material misstatement. Audit adjustments are detailed in Appendix D.

We have also raised recommendations for management as a result of our audit work in respect of:

- One instance of self-autrhorisation of a journal, and
- A segregation of duty matter in respect of access to Altair.

These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

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 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, at this stage, subject to the following outstanding matters:

- completion of the 2020/21 audit and review by Grant Thornton of predecessor audit file (to obtain assurance over opening balances);
- review of approved and signed management representation letter;
- finalisation of IT General Controls (ITGC) work – see page 13 for more information;
- review of the Annual Report; and
- review of the final set of financial statements.

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete. A draft opinion and letter of representation will be shared with management and agreed for inclusion of the final version of the report to coincide with conclusion of the 2022/23 audit of the Administering Authority.

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 on publication of the Council's audited financial statements. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the Administering Authority until this work has been completed.

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)

We would like to thank everyone at the Pension Fund for their support in working with us to finish our audit work. A good working relationship has been established, with working papers and supporting documentation supplied in a timely fashion and to a good standard.

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 Hymans Robertson, and showed that and showed that the solvency funding level is 113% therefore the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. The results of the latest triennial valuation are reflected in note 19 to 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. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample 25 and found the source data to be complete and accurate. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

Change in Key Audit Partner

Ciaran McLaughlin has now left the Firm. Grant Patterson will pick up his role of Key Audit Partner on the Fund's audit. Grant is an experienced public sector auditor and is the Firm's Public Sector (LGPS) Pension Lead.

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 prior to the Committee date..

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.

For Northamptonshire Pension Fund, the Audit Committee fulfil the role of those charged with governance. The Pensions Fund Committee considers the draft financial statements and is part of the overall member oversight process.

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 had to alter our audit strategy, which was communicated to you on 24 July 2023.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, and a satisfactory review of the predecessor audit file we anticipate issuing an unqualified audit opinion to coincide with the completion of the 2022/23 audit of West Northamptonshire Council. These outstanding items include:

- completion of the 2020/21 audit and review by Grant Thornton of predecessor audit file (to obtain assurance over opening balances);
- review of management representation letter;
- finalisation of ITGC work - see page 13 for more information;
- review of the Annual report; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. A good working relationship has been established, with working papers and supporting documentation supplied in a timely fashion and to a good standard.

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.

Materiality level remain the same as reported in our audit plan on 24 July 2023.

We have revised the performance materiality percentage to reflect the materiality levels set by auditors of the admitted bodies in the Fund. This is to ensure we have not determined a level of performance materiality that is too high for the purposes of the audit of the admitted bodies.

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

2. Financial Statements

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	48.1m	Materiality is calculated as approximately 1.5% of gross assets per the draft accounts. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts.
Performance materiality	30.1m	Based on the internal control environment at the Fund we determined an initial performance materiality, which we subsequently reduced to consider the materiality levels set by the auditors of admitted bodies.
Trivial matters	2.4m	We deem matters below 5% of materiality to be sufficiently trivial not to warrant drawing to the attention of the Committee.
Materiality for fund account	12.9m	Materiality is calculated as approximately 10% of gross expenditure in the prior year draft accounts. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts.

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 management override of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of assets 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 of material misstatements	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. We identified an issue in relation to management override of controls. The Pension Fund's journals control environment includes a control to ensure appropriate segregation of duties are in place around journal postings and authorisations. Our audit procedures identified a self-authorised journal posted in the financial year. To address the risk, we have gained assurance that the journal in question was appropriate. We have also extended our testing of journals to gain assurance that this was an isolated instance. We are satisfied that we have gained sufficient assurance that no material misstatements have occurred. See Action plan (p.22) for more detail.
Improper revenue recognition 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. As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.	Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because: - There is little incentive to manipulate revenue and expenditure recognition; - Opportunities to manipulate revenue and expenditure recognition are very limited; and - The culture and ethical frameworks of local authorities, including the administering authority, West Northamptonshire Council, mean that all forms of fraud are seen as unacceptable. Therefore, at the planning stage we did not consider this to be a significant risk for Northamptonshire Pension Fund. We have continued our risk assessment throughout the audit and have not identified any circumstances indicating a requirement to alter this decision.

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 statement date. By their nature, Level 3 investments valuations lace observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Under ISA 315, significant risks often relate to significant nonroutine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgements to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value of these assets. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter	We have: • evaluated management's processes for valuing Level 3 investments and performed a walkthrough to confirm that controls are implemented as designed • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure the requirements of the Code are met; • independently requested year end confirmations from investment managers; • for a sample of investments, tested the valuation by comparing the valuation per the General Ledger (typically based on investor statement as at the reporting date, or in the case of harder to value assets, the latest capital statement available adjusted for known cash movements in the final quarter of the year) to direct confirmation of capital balances from investment managers and, where available latest audited financial statements; • obtained and reviewed service audit reports for the investment managers where available; and, • completed sample testing of purchases and sales to prime documentation across the period to support out reconciliation of the opening and closing balances; Per the results of our work, we are satisfied that management's process for estimating the valuation of Level 3 assets is sufficiently robust. We did not identify any instances where management did not have an appropriate basis for arriving at an estimate. A key challenge in this area is the impact of timing delays in valuation of assets. As a proportion of the Level 3 assets are held in the Net Assets Statement at their 31 December valuation adjusted for known cash movements, there will inevitably be a variance between the Net Asset Statement and the valuations per the final 31 March capital statements, which typically are received during the audit. Having assured ourselves of the reliability of valuations provided by the Investment Managers by, as described above, reviewing investor statements at the audited accounts date to gain an independent assessment of the valuations on a sample basis, we were then able to quantify the impact of this timing variance on the financial statements – this has resulted in an adjusted misstatement of £7.6m. This is not material but above our trivial threshold and therefore we are required to report the value to members of the Committee. Management have opted to amend the accounts in this instance. Our work has indicated that we can take reasonable assurance that the value is not materially misstated. As referred to previously, this is a function of the nature of LGPS Funds and therefore not attributable to any control weaknesses within the organisation.

2. Financial Statements: Other risks

Risks identified	Commentary
Local Government Pension Scheme triennial valuation Regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023. The LGPS is a complex pension scheme with numerous participants, investment portfolios, and various financial and actuarial assumptions. The valuation process involves assessing the fund's assets and liabilities, projecting future cash flows, and making assumptions about investment returns, inflation rates, life expectancies, and other variables.	IAS 26 requires the actuarial present value of promised retirement benefits to be disclosed. It gives three options for disclosure: Option A - in the net assets statement, in which case it requires the statement to disclose the resulting surplus or deficit Option B - in the notes to the accounts Option C - by reference to this information in an accompanying actuarial report. The Fund have adopted Option B therefore we have completed the following work: • reviewed the methods used to calculate the estimate, including the models used; • reviewed the actuarial reports and assessed the reasonableness of the assumptions made in the reports; • performed tests on the accuracy and completeness of the data used in the valuation process, including member data. This includes examining source documents and reconciling data to supporting records; • evaluated the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements.

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 – £666.3m	The Pension Fund holds a quantity of investment assets which are deemed to be "hard to value" (also referred to as Level 3 within the IFRS Fair Value hierarchy). These are typically funds holding private equity, infrastructure and property assets. In total these are valued on the balance sheet as at 31 March 2023 at £666.3m. These investments are not traded on an open exchange or market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management obtains periodic valuations of these assets prepared by its fund managers. The Fund also works with advisors who take an independent view of the Fund's overall performance against the market, enabling management to identify and challenge outliers if possible. Management also obtains Service Auditor Reports for its investment managers and audited accounts for individual funds where available to add a further layer of independent assurance to the valuations provided. The value of the Fund's holding of level 3 assets has increased by approximately £27.8m (PY; £638.5m). This movement can be explained by a net increase of assets via investment purchases which is offsetting a net decrease in market movements. As noted earlier in the report, due to the nature of these assets, valuations are frequently received in arrears and, as such, per the Fund's accounting policies a number of assets are held at the December 31 valuation (or similar), adjusted for known cash movements such as purchases or distributions. As such there will inevitably be a variance noted when management's estimate is compared to actual March 31 valuations received post year end. Working with management, we have been able to quantify this in full, noting a positive variance of £7.6m between management's estimated valuation as at the balance sheet date and updated valuations using more current investor statements. Management have opted to amend the accounts in this instance.	• Evaluated management's processes for valuing Level 3 investments and performed a walkthrough to confirm that controls are implemented as designed • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure the requirements of the Code are met; • independently requested year end confirmations from investment managers; • for a sample of investments, tested the valuation by comparing the valuation per the General Ledger (typically based on investor statement as at the reporting date, or in the case of harder to value assets, the latest capital statement available adjusted for known cash movements in the final quarter of the year) to direct confirmation of capital balances from investment managers and, where available latest audited financial statements; and • obtained and reviewed service audit reports for the investment managers where available.	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: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £2,532m	The Pension Fund have investments in various pooled investment vehicles and other funds that in total are valued on the net assets statement as at 31 March 2023 at £2,532m. Some of the investments are not traded on an open exchange or market and the valuation of the investment is subjective. In other cases, the valuation is an aggregate of a number of underlying assets and, as such, the valuation is opaque. In order to determine the value, management uses figures provided by investment managers, supplemented by reviews of Service Auditor Reports, Audited financial statements and other market data as relevant. The value of the Fund's holding of Level 2 assets has decreased by approximately £150m (PY; £2,681.7m). This movement can be explained largely by a decrease in the valuation of pooled investments. This is consistent with our understanding of the wider market conditions.	• Evaluated management's processes for valuing Level 2 investments; • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure the requirements of the Code are met; • independently requested year end confirmations from investment managers; • for a sample of investments, comparing the valuation per the General Ledger (typically based on investor statement as at the reporting date, or in the case of harder to value assets, the latest capital statement available adjusted for known cash movements in the final quarter of the year) to quoted prices from independent sources, or direct confirmation of capital balances from investment managers and, where available latest audited financial statements; and • obtained and reviewed service audit reports for the investment managers where available.	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.

			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	Additional procedures carried out to address risks arising from our findings
Pension Administration System (Altair)	ITGC assessment (design and implementation effectiveness only)	🔴	🔴	🟢	⚫	Administrative access to Altair was allocated to a user who has operational and financial responsibilities. The combination of operational and financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict.	We have undertaken further work on journals posted by the user to identify any high risk or unusual financial audit relevant activity with a potentially material impact. No issues identified.
Unit4 ERP Business World	ITGC assessment (design and implementation effectiveness only.	This system is hosted by West Northamptonshire Council. The 2022/23 audit work on the Council's IT system is not completed at this stage. For the purposes of our risk assessment and planning, we have placed some assurance on the work undertaken in the 2021/22 audit because there have been no major changes to the IT system and processes in the 2022/23 financial year. No deficiencies were identified in the 2021/22 work. We will update this ITGC control findings on completion of the 2022/23 audit work at the Council.				None identified at this stage.	None required at this stage.

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 not been made aware of any material or other 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 will be requested from the Fund in conjunction with our final sign off of the Pension Fund accounts. We do not anticipate that any specific representations will be included in relation to particular areas of the accounts. We will agree a draft document with management for inclusion in the final Audit Findings Report.
Audit evidence and explanations	All information and explanations requested from management was provided.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Fund's banking and investment management partners. This permission was granted, and the requests were sent. All the requests were returned with positive confirmation.
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

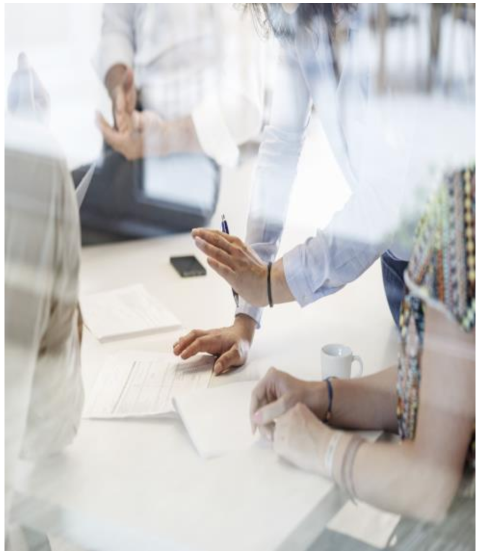
Our responsibility

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, at this stage, 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. However, our assessment of this consideration will remain ongoing until the final audit report is issued.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by West Northamptonshire Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. As the Council's financial statements are not published at this stage, we have not completed this work.
Matters on which we report by exception	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 are required to report if we have applied any of our statutory powers or duties as outlined in the Code. As the Council's audited financial statements are not published at this stage, we have not completed this work. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report on publication of the Council's audited financial statements.



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 E.

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 October 2023, 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.

Service	Fees £	Threats identified	Safeguards
Audit related			
IAS 19 Assurance letters for Admitted Bodies	£6,000 and £1,100 per audit letter*	Self-interest (because of the recurring fee).	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Pensions Committee. None of the services provided are subject to contingent fees.

**Please note – due to delayed starts to administering authority and other Northamptonshire Local Government audits we have not yet received any requests from employer engagement teams. We will report the final level of IAS 19 fees within the updated version of the AFR to coincide with final sign off of the financial statements.*

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 non-audit services provided.
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.

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. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

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. Action Plan – Audit of Financial Statements

We have identified two recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	We have identified an instance of a self-authorised journal being posted within the financial year which is not in line with the Fund's controls for recording journal entries. This represents a segregation of duties issue as the posting of journals without appropriate oversight leads a higher risk of fraudulent journal entries impacting the financial statements. To address the risk, we have gained assurance that the journal in question was appropriate. We have also extended our testing of journals to gain assurance that this was an isolated instance.	Management should ensure that procedures are followed and that journals are authorised before posting to avoid segregation of duties risks. **Management response** Management have accepted the recommendation and informed the relevant teams that journals should not be self-authorised.
	Administrative access to Altair was allocated to user who has operational and financial responsibilities. The combination of operational and financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict. To address the risk, we have undertaken further work on journals posted by the user to identify any high risk or unusual financial audit relevant activity with a potentially material impact. No issues identified.	Management should ensure that IT user responsibilities are monitored and reviewed to avoid segregation of duties risks. **Management response** Management have accepted the recommendation. Access for the 'business user' has now been restricted to view only.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Northamptonshire Pension Fund Pension Fund's 2021/22 financial statements, which resulted in one recommendation being reported in our 2021/22 Audit Findings Report. We are pleased to report that management have implemented our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	During the course of the audit, we noted some delays in receipt of declarations of interest from members of the Pensions Committee and others with a governance link to the Fund. It is important to ensure that these returns are received and reviewed promptly to prevent the possible omission of disclosure of a previously unidentified related party which may alter the understanding of readers of the accounts. The Fund should work proactively with partners within the administering authority and other stakeholders to ensure that all returns are received and reviewed promptly.	Management sent requests out earlier this year (12th December) to allow plenty of time to manage the process. The audit team did not identify any issues with missing declarations of interest in 2022/23.

Assessment

✓ Action completed

X Not yet addressed

D. 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 £'000	Net Asset Statement £' 000	Impact on total net assets £'000
As described earlier in the report, some of the Fund's hard to value assets are valued on a time lag basis, with the value in the accounts reflecting an investor statement balance prior to the balance sheet date adjusted for known cash movements. Following audit procedures, we were able to quantify this timing variance as £7.6m. In our view, this does not constitute a control weakness at the Fund as management's process for calculating the estimate has not resulted in a material misstatement.	(7.6m)	£7.6m	£7.6m
Overall impact	(7.6m)	7.6m	7.6m

D. 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.

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?
Per the draft accounts, capital commitments were understated by £40m (draft figure £115.1m, actual £155.1m) due to a transposition error. This is a disclosure issue only and has no impact on the Fund's financial position.	Disclosure should be amended. Management response Disclosure has been amended.	✓
Prior year values for the actuarial present value of promised retirement benefits have been updated to reflect the 2022 Triennial valuation. The figures are consistent with the prior year draft accounts.	Disclosure should be updated to reflect the 2022 triennial valuation. Management response Disclosure has been amended.	✓
Audit procedures noted that the ACCESS Pool asset disclosure was overstated by £1bn (draft figure £60bn, actual £59bn) due to a rounding error.	Disclosure should be amended. Management response Disclosure has been amended.	✓
Audit procedures noted that the draft accounts do not include a disclosure of the audit fee, which is required by the Code.	Disclosure should be added. Management response Disclosure has been amended.	✓
Minor narrative amendments and formatting changes, including updating hyperlinks.	Amendments should be made. Management response Disclosure has been amended.	✓

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements. As all assets are revalued as at 31 March 2023 this is not a continuing unadjusted misstatement that impacts upon the 2022/23 financial statements.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Some of the Fund's hard to value assets are valued on a time lag basis, with the value in the accounts reflecting an investor statement balance prior to the balance sheet date adjusted for known cash movements. Following audit procedures, we were able to quantify this timing variance as £8.5m. In our view, this does not constitute a control weakness at the Fund as management's process for calculating the estimate has not resulted in a material misstatements.	(8.5m)	8.5m	8.5m	Not material.
Overall impact	(8.5m)	8.5m	8.5m	

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee
Scale Fee	55,250
IAS 19 letters for employer body auditors, including testing of 31 March 2022 triennial review *	TBC**
Work on triennial valuation member data *	3,000
Total audit fees (excluding VAT)	58,250 (known element)

*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.

**Due to delayed starts to administering authority and other Northamptonshire Local Government audits we have not yet received any requests from employer engagement teams. We will report the final level of IAS 19 fees within the updated version of the AFR to coincide with final sign off of the financial statements.

The fees reconcile to the financial statements.

None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the group/company, 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))

F. 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.