

Oxfordshire Pension  
Fund  
Audit results report  
Year ended 31 March 2020

November 2020



**EY**

Building a better  
working world



11 November 2020

Dear Committee Members

We are pleased to attach an audit results report for the forthcoming meeting of the Audit and Governance Committee. This report is intended solely for the use of the Audit and Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We have largely completed our audit of Oxfordshire Pension Fund for the year ended 31 March 2020, with a few outstanding queries remaining.

As set out on pages 5 and 20, a number of issues arose as a result of COVID-19 which had an impact on our work, and we have had to consider any potential impact on our audit report.

We would like to thank your staff for their ongoing help during the engagement, especially as they have themselves also needed to adapt to remote working and the pressures and strains that came with that. We are very grateful for their help.

We welcome the opportunity to discuss the contents of this report, or any other issues arising from our work with you, at the Audit and Governance Committee meeting on 11 November 2020.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

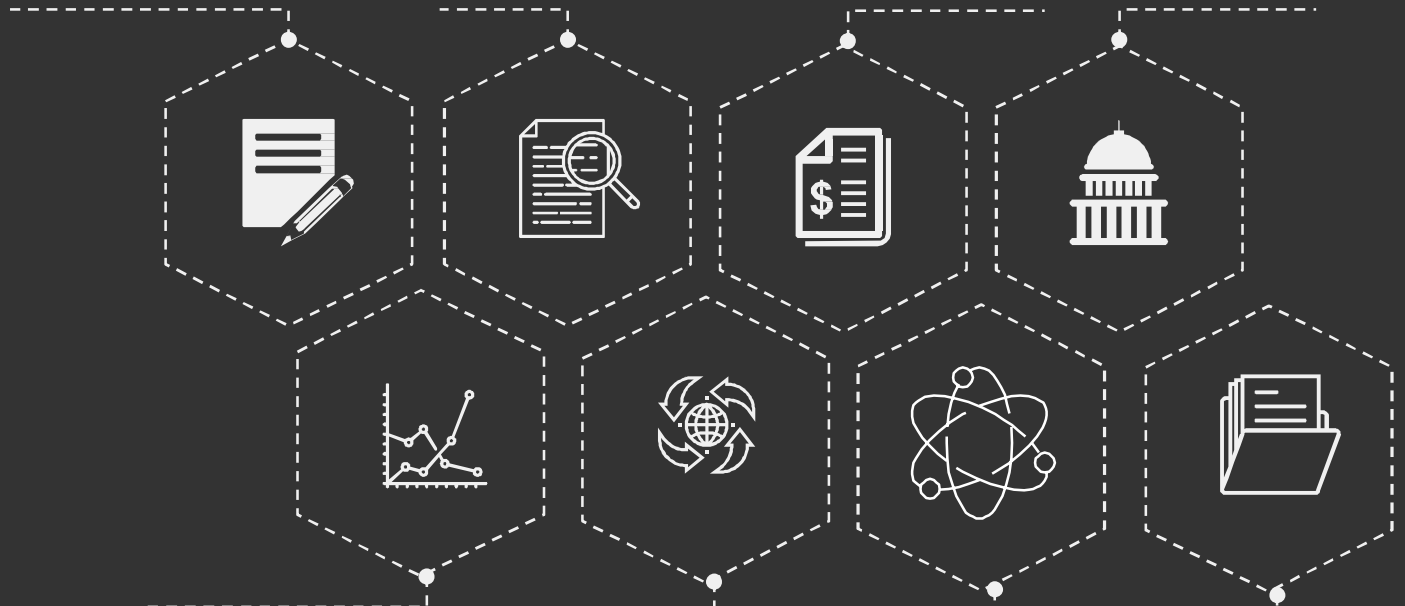
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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk)). It is available from the Chief Executive of each audited body and via the PSAA website.

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.





# 01 Executive Summary

# Executive Summary

## Scope update

In our audit planning report presented at the 27 May 2020 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

### Changes to reporting timescales

As a result of COVID-19, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, were published and came into force on 30 April 2020. This announced a change to publication date for accounts, with an audit report if available, from 31 July to 30 November 2020 for all relevant authorities.

### Changes to our risk assessment as a result of COVID-19

- Valuation of Investments- financial markets have experienced some volatility even before the advent of COVID-19. The uncertain impact of the virus on markets has had an impact on pooled property funds with underlying property investments being subject to RICS 'material uncertainty' paragraphs in their valuation reports. There are also increased risks that market and economic trends may not be adequately reflected in assets classified as Level 3 – valued according to unobservable information. The Fund's officers have challenged valuations, especially those which are classified as level 3 (and are the most complex to value because of their nature, see p.11). We considered level 3 investment valuations to be a significant risk when we planned the audit, and COVID-19 has exacerbated the position.
- Disclosures on Going Concern – Financial plans for 2020/21 and medium term financial plans need revising for COVID-19. We considered that the unpredictability of the current environment gave rise to a risk that the Pension Fund would not appropriately disclose key factors relating to going concern, underpinned by management's assessment with particular reference to COVID-19 and the Fund's actual year-end financial position and performance.
- Events after the balance sheet date – We identified an increased risk that further events may occur after the balance sheet date concerning the current COVID-19 pandemic, which may well need to be disclosed. The amount of detail required in the disclosure needs to reflect the specific circumstances of the Pension Fund.

### Changes to the scope of our audit as a result of COVID-19

- We followed up any potential impact of COVID-19 on how internal controls operated, and revisited the risks around the valuation of investments and how officers had challenged the valuations provided to them by their specialists.

### Changes in materiality

In our Audit Planning Report, we stated that our audit procedures would be performed using a materiality of £25.1m, with performance materiality at 75% of overall materiality, £18.9m, and a threshold for reporting misstatements of £1.26m. We have considered whether any change to our materiality is required in light of COVID-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences as reported to you in our Audit Planning Report all remain appropriate.

We updated our planning materiality assessment using the draft financial statements. Based on our materiality measure of 1% of assets we have updated our overall materiality assessment to £23.6m. This results in updated performance materiality at 75% of overall materiality, of £17.7m, and an updated threshold for reporting misstatements of £1.18m.



# Executive Summary

## Status of the audit

We have largely completed our audit of the Pension Fund's financial statements for the year ended 31 March 2020. However there are some outstanding queries relating to the significant elements of work most affected by the Covid-19 pandemic.

We therefore need to complete key areas relating to:

- Confirmation of final level 3 investment balances and assurance on how they have been arrived at with regard to the impact of the Covid-19 pandemic;
- Subsequent events review
- Receipt of the signed management representation letter
- Final review of the updated financial statements and annual report following audit.

## Audit differences

There are no unadjusted differences arising from our audit at the current time.

We have identified a small number of audit differences in disclosures which have been adjusted by management. These all fall below the level at which we need to report them to you.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee.

# Executive Summary

## Areas of audit focus

Our audit planning report identified key areas of focus for our audit of Oxfordshire Pension Fund's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee.

## Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and that is unknown to you.

We have adopted a fully substantive approach, so have not tested the operation of controls.

## Other reporting issues

There are currently no other reporting issues for your attention.

## Independence

Please refer to Section 7 for our update on Independence. There are no relationships from 1 April 2019 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.





02

## Areas of Audit Focus





## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error

##### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

##### What did we do and what judgements did we focus on?

We:

- asked management about risks of fraud and the controls to address those risks;
- Ensured we understood the oversight given by those charged with governance of management's processes over fraud; and
- considered the effectiveness of management's controls designed to address the risk of fraud.

We also performed mandatory procedures regardless of specifically identified fraud risks, including:

- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- assessing accounting estimates for evidence of management bias; and
- evaluating the business rationale for significant unusual transactions.

We used our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

##### What are our conclusions?

Based on the work completed, we have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied or management bias. We have not identified any transactions during our audit which appeared unusual or outside the Pension Fund's normal course of business.



## Areas of Audit Focus

### Significant risk

#### Risk of inappropriate posting of investment valuation

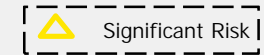
##### What is the risk?

Investment valuations are manually input on to the general ledger, so there is opportunity to manipulate the valuation of investments and the resulting investment income.

Manipulating investments would increase the net value of pension fund assets, and increase the investment returns recognised in year.

Total Investments for 2018/19 were £2,423m, and total investment income and change in market value of Fund assets in 2018/19 were £165m.

As our planning performance materiality was £18.9m, any manipulation over 0.8% and 11.5% would result in a material error to the value of investments.



##### What did we do and what judgements did we focus on?

We:

- ▶ Reconciled the investment value to both the fund manager and custodian reports.
- ▶ Reviewed the investment accounts in the general ledger and investigated any unusual items
- ▶ Journal testing – we used our testing of journals to identify high risk transactions, such as items posted to investment or related accounts outside the normal process.

We also used our data analytics capabilities to assist our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluate for business rationale.

##### What are our conclusions?

Based on the work completed, we have not identified any evidence of inappropriate accounting for investment values.



## Areas of Audit Focus

### Significant risk

#### Valuation of complex investments (Level 3 Fair Value hierarchy)

##### What is the risk?

Investments at Level 3 are those where at least one input that could have a significant effect on the asset's valuation is not based on observable market data (there were £130m level 3 investments in the 2018/19 financial statements).

Significant judgements are made by the Investment managers or administrators to value these investments whose prices are not publicly available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements. The COVID-19 pandemic is such an event.

##### What did we do and what management judgements did we focus on?

We:

- are reviewing the latest available audited accounts for the relevant funds and ensuring there are no matters arising that highlight weaknesses in the fund's valuation;
  - where the latest audited accounts were not as at 31 March 2020, we have performed analytical and other procedures to assess the valuation for reasonableness against our own expectations; and
  - tested that accounting entries were correctly processed in the financial statements.
- We note that in the 2019/20 financial statements, pooled property assets were redefined as level 3 assets (from level 2 in previous years). As a result of the impact of COVID-19 on investments, many property valuers are issuing valuations for the underlying property assets including material uncertainty paragraphs in their valuation report, which increases the risk around valuation of these funds.

##### What are our conclusions?

Our work in this area is largely completed, with no issues arising to date. However we are waiting for a few returns for specific funds (five) currently outstanding.



## Areas of Audit Focus

### Other areas of audit focus

#### Valuation of level 2 investments

##### What is the risk?

Level 2 investments include pooled funds and private equity investments, where fair value is based on some elements of unobservable information.

There is a risk that the comparable inputs are not appropriate and valuation could be misstated.

##### What did we do and what management judgements did we focus on?

- We have reviewed these investments to quoted or traded prices, or whether applicable reviewed the latest available audited accounts for the relevant funds and ensured there are no matters arising that highlight weaknesses in the fund's valuation;
- Where the latest audited accounts were not as at 31 March 2020 We have performed analytical procedures and checked the valuation input and output for reasonableness against our own expectations.
- We note that pooled property funds defined in previous years as level 2 have been reclassified as (higher valuation risk) level 3 investments because of the effects of COVID-19, so we will include this in our level 3 work.

##### What are our conclusions?

Based on our work, we have not identified any issues in this area.





## Areas of Audit Focus

### Other areas of audit focus

#### Transfer of assets to the Brunel Partnership

##### What is the risk?

Brunel Pension Partnership was set up by Oxfordshire Pension Fund and nine other pension funds to oversee investment of pension fund assets and achieve savings over the longer term.

2018/19 was the first financial year where assets were transferred in exchange for units in the pooled fund. In 2019/20 a further £342m was transferred.

There is a risk that the transfer of assets is not complete.

##### What did we do and what management judgements did we focus on?

We reviewed reconciliations and post-transition reports from third parties to obtain assurance over the completeness of the transfer.

##### What are our conclusions?

Based on our work, we have not identified any issues in this area.



## Areas of Audit Focus

### Other areas of audit focus

#### Going Concern

##### What is the risk?

ISA 570 was revised in September 2019. The revised standard increases the work we are required to perform when assessing whether an entity is a going concern and means UK auditors will follow significantly stronger requirements than those required by current international standards. Whilst the standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, EY have revised current audit procedures, recognising the importance of the forthcoming revisions.

Financial plans for 2020/21 and medium term financial plans may need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the financial statements may not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Pension Fund's year end financial position and performance

##### What did we do and what management judgements did we focus on?

- Obtaining Management's going concern assessment and reviewing for any evidence of bias and consistency with the accounts;
- Reviewing the financial modelling and forecasts prepared by OPF. We considered and tested key assumptions, focusing on the reasonableness of the liquidity forecasts up to a date of 12 months after the expected signing date of the accounts and opinion. This assessment therefore needs to extend beyond the 2020/21 financial year, and into 2021/22;
- Ensuring that an appropriate going concern disclosure has been made within the financial statements; and
- Considering the impact on our audit report and comply with EY consultation requirements.

##### What are our conclusions?

Based on our work, we have not identified any issues in this area. The fund has adequate liquid assets for the foreseeable future.

However we are still finalising the requirements of our internal consultation process with our internal professional practice directorate.



# 03 Audit Report



# Audit Report

## Draft audit report

### Our opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORDSHIRE COUNTY COUNCIL

##### Opinion

We have audited the pension fund financial statements for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 29. 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 2018/19.

In our opinion the pension fund financial statements:

give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020; and  
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:  
the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or  
the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

The other information comprises the information included in the Oxfordshire County Council Statement of Accounts 2019/20 other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information.





# Audit Report

## Draft audit report

### Our opinion on the financial statements

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge 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 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.

Matters on which we report by exception

We report to you if:

we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;

we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

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;

we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or

we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director of Finance

As explained more fully in the Statement of the Director of Finance's Responsibilities set out on page 20, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance 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 the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Other information



# Audit Report

## Draft audit report

### Our opinion on the financial statements

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the members of Oxfordshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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.

Kevin Suter (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Southampton  
xx November 2020

The maintenance and integrity of the Oxfordshire County Council Pension Fund web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# 04 Audit Differences





# Audit Differences

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In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of differences

We highlight any misstatements greater than £17.7 million which have been corrected by management during the course of our audit. There are no corrected misstatements to bring to your attention.

We report to you any uncorrected misstatements greater than our nominal value of £1.18 million. There are no uncorrected misstatements to bring to your attention at this time.

Some minor disclosure amendments have been made which do not need to be brought to the Committee's attention.





# 05 Other reporting issues



## Other reporting issues

### Consistency of other information published with the financial statements.

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements is consistent with the audited financial statements.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

## Other reporting issues

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of Oxfordshire Pension Fund's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations requested by us;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We currently have no matters to report.





06

## Assessment of Control Environment





# Assessment of Control Environment

## Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to have proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained enough understanding of internal controls to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



07

Independence

## 07 - Independence

# Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

We include below a summary of the fees that you have paid to us in the year ended 31 March 2020, in line with the disclosures set out in FRC Ethical Standard and in statute. Further detail of all fees has been provided to the Audit and Governance Committee with measurement against pre-approved limits.

We confirm that none of the services provided has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## 07-Independence

### Confirmation and analysis of audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 26 February 2020.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by you as well as by us. It is therefore important that you and your Audit & Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit & Governance Committee on 11 November 2020.

We confirm we plan to undertake non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd. We will apply the necessary safeguards in our completion of this work.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Final Fee 2018/19 £
Total Audit Fee – Code work	TBC	18,563*	18,563
IAS19 disclosure work	TBC	5,500	5,500
Triennial valuation work	TBC	1,500	N/A
<b>Total Audit Fees</b>	<b>TBC</b>	<b>25,563</b>	<b>24,063</b>

All fees exclude VAT

Note: the scale fee for 2019/20 is set by PSAA as indicative and does not reflect the actual costs of undertaking the audit, to address all risks identified and to meet current regulatory standards. We set out the key areas of focus of our work on pages 5-13. Since completing our planning report, we have considered the impact on the fee to reflect those underlying costs. This has been modelled across Pension Funds for consistency, and we estimate a fee reflecting those costs fully would be in the range of £55,000 to £60,000 (and £10,000 for IAS19 disclosure work).

We have also incurred additional costs in addressing the increased risks associated with COVID-19, including asset valuations and the impact on the going concern assessment. We will discuss and agree a fee with management and PSAA, and communicate progress to the Audit & Governance Committee.





# 08 Appendices



## Audit approach update




We are required to communicate whether there have been any changes to the audit of the net assets statement from the prior year audit. In 2019/20 we have again taken a fully substantive approach to the audit and there have been no significant changes to our approach, other than those necessitated by the potential impact of COVID-19 detailed elsewhere in this report.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

## Appendix B

# Summary of communications





Date 	Nature 	Summary 
Throughout the year	Meetings, calls and e-mails	The Manager has been in regular contact with the Director of Finance and relevant finance staff on the Fund's risks, accounts closedown and the audit approach.
<ul style="list-style-type: none"> <li>• 08/05/2019 committee</li> <li>• 17/7/2019 committee</li> <li>• 11/9/2019 committee</li> <li>• 13/11/2019 committee</li> <li>• 15/01/2020 committee</li> <li>• 27/05/2020 committee</li> <li>• 22/07/2020 committee</li> </ul>	Meetings and reports	<p>The Associate Partner and/or Manager have attended all meetings of the Audit and Governance Committee held during the year and through to the date of issue of this report.</p> <p>Specific reports issued and communications with the Audit and Governance Committee are detailed in Appendix C.</p> <p>Progress updates have been presented to each meeting, either verbally or in writing.</p>
<ul style="list-style-type: none"> <li>• 30/01/2020</li> <li>• 26/02/2020</li> <li>• 03/04/2020</li> <li>• 12/05/2020</li> <li>• 19/05/2020</li> </ul>	Meetings	<p>The Manager has met regularly with the Director of Finance and relevant staff throughout the year to discuss the audit of both County Council and Fund matters up to the date of issue of this report.</p> <p>During the Pension Fund final accounts audit we engaged directly with Fund staff at least weekly.</p>

In addition to the above specific meetings and letters the audit team met with the management team throughout the audit to discuss audit findings.





## Appendix C

# Required communications with the Audit and Governance Committee




There are certain communications that we must provide to the audit committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	27 May 2020 Audit and Governance Committee - Audit Plan NB the plan was produced in February 2020 before lockdown changed the committee timetable. A verbal update was given to the May committee alongside the plan to take account of COVID-19 developments
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	27 May 2020 Audit and Governance Committee - Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view on the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	22 July 2020 Audit and Governance Committee - provisional Audit Results Report  11 November 2020 Audit and Governance Committee - Audit Results Report

# Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Public Interest Entities / Major Local Audits	<p>For the audits of financial statements of public interest entities our written communications to the Audit and Governance Committee include:</p> <ul style="list-style-type: none"> <li>• A declaration of independence</li> <li>• The identity of each key audit partner</li> <li>• The use of non-member firms or external specialists and confirmation of their independence</li> <li>• The nature and frequency of communications</li> <li>• A description of the scope and timing of the audit</li> <li>• Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits</li> <li>• Materiality</li> <li>• Any going concern issues identified</li> <li>• Any significant deficiencies in internal control identified and whether they have been resolved by management</li> <li>• Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to Audit and Governance Committee</li> <li>• Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof</li> <li>• The valuation methods used and any changes to these</li> <li>• The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework</li> <li>• The completeness of documentation and explanations received</li> <li>• Any significant difficulties encountered in the course of the audit</li> <li>• Any significant matters discussed with management</li> <li>• Any other matters considered significant</li> </ul>	<p>27 May 2020 Regulation, Audit and Accounts Committee – Audit Plan and 22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>

## Appendix C





		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Subsequent events	<ul style="list-style-type: none"> <li>• Asking the Audit and Governance Committee where appropriate about whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Fraud	<ul style="list-style-type: none"> <li>• Asking the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Pension Fund</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the Pension Fund, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to committee responsibility.</li> </ul>	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>



# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Pension Fund's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the Pension Fund</li> </ul>	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> <li>• Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>• Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>• Related safeguards</li> <li>• Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>• A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> </ul>	<p>27 May 2020 Regulation, Audit and Accounts Committee – Audit Plan and</p> <p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations

# Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• Asking the Audit and Governance Committee about possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit.</li> </ul>	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>• Written representations from management and/or those charged with governance</li> </ul>	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Auditors report	<ul style="list-style-type: none"> <li>• Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Fee Reporting	<ul style="list-style-type: none"> <li>• Breakdown of fee information when the audit planning report is agreed</li> <li>• Breakdown of fee information at the completion of the audit</li> <li>• Any non-audit work</li> </ul>	<p>27 May 2020 Audit and Governance Committee – Audit Plan and</p> <p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>

# Management representation letter

Oxfordshire Pension Fund – anticipated draft, based on the current position of the audit. Further representations may be required.

## Management Representation Letter

xx November 2020

Kevin Suter  
Associate Partner  
Ernst & Young LLP  
Wessex House  
19 Threefield Lane  
Southampton  
SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of Oxfordshire Pension Fund ("the Fund") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2019 to 31 March 2020 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2020, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the

## Management representation letter

CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

### B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.

We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

## Management representation letter

3. All material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.
4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through 2019/20 to the most recent meeting of the Audit and Governance Committee on 11 November 2020.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.
7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
9. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities relating to litigation and claims, both actual and contingent, and have disclosed in Note 25 to the financial statements all guarantees that we have given to third parties.

### E. Subsequent Events

1. Other than as disclosed in the financial statements, there have been no events (including events related to the COVID-19 pandemic) subsequent to period end which require adjustment of, or disclosure in, the financial statements or notes thereto.

### F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Oxfordshire Pension Fund Annual Report 2019/20.
2. We confirm that the content contained within the other information is consistent with the financial statements.



# Management representation letter

## G. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

## H. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.
2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

## I. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

## J. Actuarial valuation

1. The latest report of the actuary Hymans Robertson as at 31 March 2019 and dated 31 March 2020 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

## K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value the investments held by the Fund and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

## L. Estimates

### Valuation of investments

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020.

We confirm that the significant assumptions used in making the investment valuations appropriately reflect our intent and ability to carry out the obligations of the Fund on behalf of the entity.

## Management representation letter

2. We confirm that the significant assumptions used in making the investment valuations appropriately reflect our intent and ability to carry out the obligations of the Fund on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete, including the effects of the COVID-19 pandemic, and made in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

### M. Going concern

The financial statements disclose all the matters of which we are aware relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Yours faithfully,

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Lorna Baxter  
Director of Finance

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Cllr Nick Carter  
Chairman of the Audit and Governance Committee

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