

Oxfordshire Pension  
Fund  
Audit results report  
Year ended 31 March 2022

November 2023



November 2023

Dear Committee Members

We are pleased to attach our Audit Results Report in relation to the audit of Oxfordshire Pension Fund, for the forth coming meeting of the Audit and Governance Committee. We will update the Committee at its meeting on the completion of the audit work and explain the remaining steps for the issue of our opinion.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Oxfordshire Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Audit and Governance Committee and management. It is not intended to be, and should not be, used by anyone other than these specified parties.

Yours faithfully

Kevin Suter, Partner

For and on behalf of Ernst & Young LLP

Encl

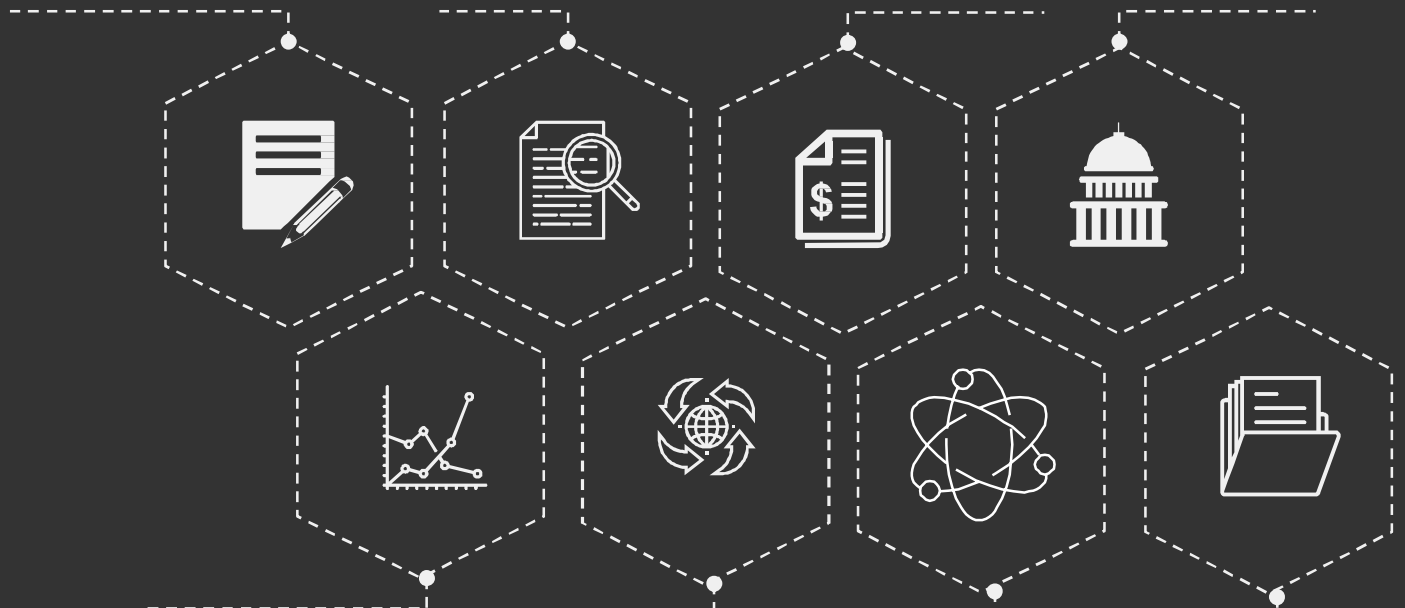
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit and Governance Committee and management of Oxfordshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee, and management of Oxfordshire County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Oxfordshire County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary

# Executive Summary

## Scope update

In our audit planning report presented to the 18 January 2023 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 updates.

### Changes in materiality

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment.

	Planning Materiality	Performance Materiality	Audit Differences
	Our planning materiality represents 1% of the Fund's net assets, consistent year on year.	Performance materiality represents 75% of planning materiality and is the top of our range, consistent year on year.	We will report all uncorrected misstatements relating to the primary statements (net asset statement and fund account) greater than 5% of planning materiality.
Planned	£32.80m	£24.60m	£1.64m
Final	£32.90m	£24.68m	£1.65m

## Status of the audit

Our audit work in respect of the Fund opinion is substantially complete. Procedures required to complete before we can issue our opinion are listed below:

- Agreement of the final set of financial statements;
- Subsequent events review;
- Receipt of signed management representation letter; and
- Final Manager, Engagement Partner and Engagement Quality Reviewer review.

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2021/22 with the audited financial statements. The audit of the full annual statement of accounts of Oxfordshire County Council for the year ended 31 March 2022 is not yet complete, and we undertake this final procedure in conjunction with our colleagues auditing the full statement of accounts. There were no issues arising from our review of the draft financial statements.

Finally, we must also give an opinion on the consistency of the financial statements included within the Pension Fund Annual Report, with those audited and included within the County Council's Statement of Accounts 2021/22. This consistency opinion can only be given at or after providing the audit report on the Statement of Accounts 2021/22.

# Executive Summary

## Areas of audit focus

Our audit plan identified significant risks and areas of focus for our audit of the Authority's pension fund financial statements. We summarise below our latest findings. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised in the "Areas of Audit Focus" section of this report.

Fraud risks	Findings & conclusions
Misstatements due to fraud or error	<p>We carried out procedures to address fraud risks as set out in our audit plan, including identifying risks, considering controls and their effectiveness, testing journal entries and reviewing estimates for evidence of management bias. Using data analytics is central to our approach. We also undertook procedures to identify unusual transactions outside the normal course of business, but did not identify any.</p> <p>We have completed our audit work and have not identified any misstatements.</p>
Fraud risks	Findings & conclusions
Risk of inappropriate posting of investment journals	<p>We carried out procedures to address fraud risks as set out in our audit plan, including testing of journals at year-end to ensure there are no unexpected or unusual postings, undertaking a review of reconciliations between the fund manager/ custodian reports/ valuer's reports and investigating any reconciling differences over a specified threshold, re-performing the detailed investment note using the reports we have acquired directly from the custodian or fund managers; and checking the reconciliation of holdings included in the Net Assets Statement back to the source reports.</p> <p>We have completed our audit work and have not identified any misstatements.</p>
Significant risk	Findings & conclusions
Valuation of complex investments (Level 3 unquoted and pooled investments)	<p>We carried out procedures as set out in our audit plan to ensure that these investment valuations are supported. Our work in this area has been completed.</p> <p>We have identified differences between the balance per custodian report and balance per fund manager's report. Updated valuation reports from Brunel had not been used initially. Management have now adjusted for these differences.</p>

# Executive Summary

## Areas of audit focus (continued)

Areas of audit focus	Findings & conclusions
Valuation of complex investments - Level 2 assets (higher inherent risk)	<p>We carried out procedures as set out in our audit plan to ensure that these investment valuations are supported. Our work in this area has been completed.</p> <p>For the pooled property investments we have identified differences between the balance per the capital account statements from Brunel and the figures in the financial statements. Management have now adjusted for these differences.</p> <p>In addition, similar to our findings in the previous 2020/21 audit, we disagreed with a number of valuations disclosed as Level 2 assets, with our judgement they are more appropriate to be disclosed as Level 3.</p>

Areas of audit focus	Findings & conclusions
IAS26 – Present value of retirement benefits	<p>We carried out procedures as set out in our audit plan. Additionally due to the timing of the audit, we undertook procedures to evaluate the impact of the triennial valuation of the pension fund completed as at 31 March 2022, and published by 31 March 2023.</p> <p>Our work in this area has been completed, and there are no issues to bring to your attention.</p>

## Audit differences

We have no unadjusted audit differences and three adjusted differences to report. These were;

- £8.75m understatement of level 3 investments - Level 3 investments did not reflect the updated valuations for funds managed by Brunel.
- £1.77m understatement of level 2 investments – Level 2 investments did not reflect the capital account statements.
- £243m reclassification of pooled property funds from Level 2 to Level 3 fair value hierarchy classification due to absence of support to ascertain that the investments are correctly classified as Level 2.

We include further details in Section 4.

As we have audit procedures to complete, further misstatements may be identified.

# Executive Summary

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## Control observations

We have identified no significant control deficiencies, but highlight one area for improvement.

## Independence

We have no matters to report in our assessment of our Independence.





## 02 Areas of Audit Focus



## Areas of Audit Focus

### Fraud 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:

- Identified fraud risks during the planning stages and determined appropriate strategy to address those risks;
- Inquired management about risks of fraud and the controls put in place to address those risks;
- 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;
- Reviewing accounting estimates for evidence of management bias; and
- Evaluating the business rationale for any 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 our audit procedures, 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

### Fraud risk

#### Risk of inappropriate posting of investment journals\*

##### What is the risk?

Investment valuations are manually input on the general ledger, so there is opportunity to manipulate the valuation of investments reported in the Net Asset Statement.

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

We:

- tested journals at year-end to ensure there are no unexpected or unusual postings;
- undertook a review of reconciliations between the fund manager/ custodian reports/ valuer's reports and investigating any reconciling differences over a specified threshold;
- re-performed the detailed investment note using the reports we have acquired directly from the custodian or fund managers; and
- checked the reconciliation of holdings included in the Net Assets Statement back to the source reports.

##### What are our conclusions?

Based on our audit procedures, we have not identified any material weaknesses in controls or evidence of inappropriate posting of investment journals.



## 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. In 2021/22, £472.7m investments were initially reported as Level 3 investments in the draft 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.

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

We:

- Obtained a schedule of investments to ensure correct classification, presentation and disclosure of items in the financial statements and corresponding notes;
- Obtained an understanding and evaluating of the work of management's expert;
- Obtained and evaluated the ISAE 3402 report for Custodian and/or Fund Manager where applicable;
- Reviewed the latest audited accounts for the relevant fund managers to ensure there are no matters arising that highlight weaknesses in the funds valuation;
- Where the latest audited accounts are not as at 31 March 2022, made enquiry of what procedures management have performed to take account of this risk, performing analytical procedures and checking the valuation output for reasonableness against our own expectations;
- Performed triangulation work to agree amounts per the financial statements to Fund Manager and to Custodian; and
- Tested accounting entries have been correctly processed in the financial statements.

##### What are our conclusions?

Our work in this area has been concluded and we have identified differences of £8.75m between the balance per custodian report and balance per fund manager's report. Management have adjusted for these differences.



## Areas of Audit Focus

Risk / area of focus	What did we do?	What are our conclusions?
<p>Valuation of Complex Investments (Level 2 Investments)</p> <p>The Pension Fund held £2,613.9m level 2 investments at 31 March 2022. These are assets where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. Valuations are based on either evaluated prices provided by independent pricing services, closing</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>▪ Where funds are actively traded in listed markets, test the valuation by using the EY Investment Security Pricing Tool;</li> <li>▪ Alternatively, inspecting quotations, financial statements of investees and other evidence of current value, cost or equity amount of investments and test that investments are classified, recorded and measured in accordance with the entity's accounting policies and applicable financial reporting framework;</li> <li>▪ Performed triangulation work to agree amounts per the financial statements to Fund Manager and to Custodian; and</li> <li>▪ Where Level 2 Investments were not listed, reverted to the Level 3 testing approach as detailed on page 12.</li> </ul>	<p>Our work in this area has been concluded.</p> <p>For the pooled property investments we have identified differences of £1.77m between the balance per the capital account statements from Brunel and the figures in the financial statements. Management have now adjusted for these differences.</p> <p>In addition, similar to the findings in the prior year identified £243m assets that in our judgement should be classified as Level 3.</p> <p>Following discussion, management agreed to amend the classification of these assets.</p>
<p>IAS 26 – Present value of retirement benefits</p> <p>The Pension Fund had a disclosed present value of funded obligation of £4,677m as at 31 March 2021 and £4,529m as at 31 March 2022 as per the accounts presented for audit. Accounting for the present value of retirement benefits involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying the estimates.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>▶ Obtained the supporting actuarial report and agreed this to disclosures in the accounts.</li> <li>▶ Review the PWC Consulting Actuary Report and issues arising from the EY Internal Review of that report with regarding to the assumptions made by actuaries when preparing IAS 26 reports.</li> <li>▶ Ensure the basis of our conclusion that the key assumptions are appropriate to the Pension Fund.</li> </ul> <p>As the audit was still in progress after 31 March 2023 when the triennial valuation of the Pension Fund (as at 31 March 2022) was completed and published, we evaluated the impact of this on the IAS26 disclosures.</p>	<p>Our work in this area has been concluded, we did not find any issues with the planned work carried out.</p> <p>We reviewed the details of the 2022 Triennial Valuation against the 2019 Triennial Valuation, we assessed that the present value of funded obligation disclosed in the Pension fund accounts is reasonable.</p>



# 03 Audit Report



# Audit Report

## Draft audit report

### Our draft opinion on the financial statements

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

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 28.

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 2021/22.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2022 and the amount and disposition at that date of its assets and liabilities as at 31 March 2022; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

#### 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 Council as administering authority for 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 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

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

#### Other information

The other information comprises the information included in the Statement of Accounts 2021/22, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information contained within the Statement of Accounts 2021/22.

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.

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 course of 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 themselves. 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.



# Audit Report

## Our draft opinion on the financial statements

### 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 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- 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 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

### Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 12, the Director of Finance is responsible for the preparation of the Council's Statement of Accounts 2021/22, 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 2021/22, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Administering Authority either intends to cease operations, or have no realistic alternative but to do so.

### 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Director of Finance.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Board minutes, through enquiry of employees to confirm pension policies, and through the inspection of other information.





# Audit Report

## Our draft opinion on the financial statements

- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations and review of minutes
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we performed specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team, including the use of specialists, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

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 (as amended) 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 Oxfordshire County Council and its 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  
[Date]



# 04 Audit Differences





# Audit Differences

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 adjusted and uncorrected differences

There were three misstatements greater than £1.65m which have been corrected by management or other specific misstatements identified during the course of our audit which we wish to draw to your attention. These were;

- £8.75m understatement of level 3 investments - Level 3 investments did not reflect the updated valuations for funds managed by Brunel.
- £1.77m understatement of level 2 investments – Level 2 investments did not reflect the capital account statements.
- £243m reclassification of pooled property funds from Level 2 to Level 3 fair value hierarchy classification due to absence of support to ascertain that the investments are correctly classified as Level 2.

There were no uncorrected misstatements identified.



## 05 Other reporting issues

## Other reporting issues

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### 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 2021/22 with the audited financial statements. Our work in this area is currently is yet to be completed as we have not yet received the full final Oxfordshire County Council Statement of Accounts 2021/22. However, there were no issues arising from our review of the draft financial statements.

Following issuing the opinion on the accounts, we will also undertake procedures to provide a report on the consistency of the financial statements within the pension fund's annual report, to those within the Statement of Accounts 2021/22. There were no issues arising on review of the draft, which is still subject to the final audit amendments.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (as amended) 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 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 (As amended). We have had no reason to exercise these duties.

### 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 the Fund's financial reporting process. We have no matters to report.



06

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

### Our responsibilities

It is the responsibility of the Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Fund 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 an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore 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.

### Findings

In completing the set of accounts, the Pension Fund management has identified an error on classification of Level 2 investments amounting to £243 million in the Fair Value Hierarchy disclosure. While the error does not have an impact in the Net Asset Statements nor in the Net Return on Investment Statements, the Fair Value Hierarchy note disclosure should be updated to reflect the correct classification of the investments.

The misstatement occurred due to an oversight in the assessment of investment classification by the Pension Fund in completing the financial statements. This error was corrected in the 2021/22 financial statements, but to ensure such errors do not recur in future years, the Authority should perform a robust review and assessment of its investments and their proper classification. This should be at the investment asset level, and not solely at the level of a class or type of asset.



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 the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on 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 2021 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

The table below sets out a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute.

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.

	Final fee 2021/22	Planned fee 2021/22	Proposed Final Fee 2020/21
	£'s	£'s	£'s
Total Fee – Code work	18,563	18,563	18,563
Work required to address professional and regulatory requirements and scope associated with risk (Note 1)	51,242	51,242	51,242
Additional work required for issues arising specific to the audit year (Note 2)	TBC	974	9,348
Additional Audit Fee in respect of work on behalf of Admitted Body auditors (recharged to the Pension Fund) (Note 3)	5,500	5,500	5,500
<b>Total fees</b>	<b>TBC</b>	<b>76,279</b>	<b>84,653</b>

We are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The planned fee presented was based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion being unqualified;
- Appropriate quality of documentation is provided by the Pension Fund; and
- The Pension Fund has an effective control environment.

*All fees exclude VAT*

## Appendix A

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### Fees (Continued)

Note 1: For 2020/21 and 2021/22 the scale fee has been re-assessed to take into account the risk profile of the Fund and the increase in regulatory standards. This additional fee has not been agreed but has been highlighted to Management and is subject to review and approval by PSAA Ltd.

Note 2: For 2020/21 we anticipate submitting a scale fee variation. This includes £974 for the new requirements of ISA540, which is a recurring requirement and also reflected in 2021/22. The remaining proposal is for the impact of identified errors, delays and the need to repeat requests for information. This additional fee has been highlighted to Management and is subject to review and approval by PSAA Ltd. A similar fee is expected for 2021/22, and will be quantified at the end of the audit.

Note 3: We anticipate charging an additional fee of £5,500 in 2021/22 to take into account the additional work required to respond to IAS19 assurance requests from admitted bodies and their auditors. The Pension Fund can recharge these fees to the relevant admitted bodies.

## Other communications

### EY Transparency Report 2022

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)







## 08 Appendices

## Appendix A

# Required communications with the Audit 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 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.	Audit Plan – dated January 2023
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan – dated January 2023
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about 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>	Audit Results Report – dated November 2023





# Appendix A

		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>	No conditions or events have so far been identified, either individually or together to raise any doubt about Oxfordshire Pension Fund’s ability to continue for the 12 months from the date of our report.
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>	Audit Results Report – dated November 2023
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the Regulation, Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Results Report – dated November 2023
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Audit 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 Fund, any identified or suspected fraud involving:               <ol 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> </ol> </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 Regulation, Audit Committee responsibility.</li> </ul>	Audit Results Report – dated November 2023

# Appendix A

		 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 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>	Audit Results Report – dated November 2023
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 2019:</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>Audit Plan – dated January 2023 and</p> <p>Audit Results Report – dated November 2023</p>

# Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
	<ul style="list-style-type: none"> <li>• Details of any inconsistencies between the Ethical Standard and the Fund's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>• Details of any contingent fee arrangements for non-audit services</li> <li>• Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>• The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
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
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>• Enquiry of the audit committee into 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>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
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>	Audit Results Report – dated November 2023



# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report – dated November 2023
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>	Audit Results Report – dated November 2023
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>	Audit Results Report – dated November 2023
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>	Audit Plan – dated January 2023 Audit Results Report – dated November 2023

## Appendix B

# Management representation letter

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

### Management Representation Letter

*Date tbc.*

Kevin Suter  
Partner  
Ernst & Young LLP  
Grosvenor House, Grosvenor Square  
Southampton  
SO15 2BE

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 2022. 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 year ended 31 March 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

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 applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and for keeping records in respect of contributions received in respect of active members of the Fund.
2. We confirm that the Fund is a Registered Pension Fund. We are not aware of any reason why the tax status of the Fund should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements and the Summary of Contributions. We believe the financial statements referred to above give a true and fair view of the financial transactions and the financial position of the Fund in accordance with applicable law the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and are free of material misstatements, including omissions. We have approved the financial statements.

## Management representation letter

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 applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus 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 to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address 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.
6. We confirm that we are not aware of any breaches of the Payment Schedule/Schedule of Contributions or any other matters that have arisen which we considered reporting to the Pensions Regulator.
7. 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's business, its ability to continue in business, 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; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Fund rules.

## Management representation letter

3. All material transactions have been recorded in the accounting records and [all material transactions, events and conditions] are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
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 the year up to the most recent meeting on the following date: [\[list date\]](#).
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 year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
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 year or subsequently.
9. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

### 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 related litigation and claims, both actual and contingent, and have disclosed in Note 23 to the financial statements all guarantees that we have given to third parties.

### E. Subsequent Events

1. Other than described in the financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

# Management representation letter

## F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information other than the pension fund financial statements, contained within the Oxfordshire County Council's Statement of Accounts 2021/22 other than the financial statements.
2. We confirm that the content contained within the other information is consistent with the financial statements.

## G. Advisory Reports

1. We have not commissioned any advisory reports which may affect the conduct of your work in relation to the Fund's financial statements.

## H. Independence

1. As members of management of the Fund, we are not aware of any matters which would render Ernst & Young LLP ineligible to act as auditor to the Fund.

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

1. We confirm that all investments in derivative financial instruments have been made after due consideration by the members of management of the Fund of the limitations in their use imposed by The Occupational Pension Schemes (Investment) Regulations 2005; namely that they contribute to a reduction in Scheme risk, facilitate efficient portfolio management, and that any such investment has been made to avoid excessive risk exposure to a single counterparty and to other derivative operations; and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by their provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of management of the Fund at the Fund year end and the terms and conditions relating thereto.

The members of management of the Fund have 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.

2. 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

The latest report of the actuary Hymans Robertson as at 31 March 2022 and dated 31 March 2023 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.

# Management representation letter

## K. Estimates

Investment Valuations and IAS26 present value of retirement benefits estimates ("the Estimates")

1. We confirm that the significant judgments made in making the estimates have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimates.
3. We confirm that the disclosures made in the financial statements with respect to the estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
4. We confirm that appropriate specialized skills or expertise has been applied in making the estimates.
5. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

## L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value the investment assets and the IAS26 present value of retirement benefits 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.

## M. Going Concern

1. Based on our assessment of going concern, the details of which have been shared with you, we confirm that we are not aware of any material uncertainties related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. We do not intend to wind up the Fund. We are satisfied that the use of the going concern basis of accounting is appropriate in the preparation and presentation of the financial statements.

## N. Climate-Related Matters

1. Whilst recognising that the Climate Change Governance and Reporting Regulations do not cover the Local Government Pension Scheme, we confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been as well as the impact resulting from the commitments made by the Fund, in the financial statements.

Yours faithfully,

\_\_\_\_\_  
Director of Finance

\_\_\_\_\_  
Chair of the Audit & Governance Committee

Date

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