

# The Audit Findings (ISA260) Report for Devon Pension Fund

**Year ended 31 March 2021**

16 November 2021



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

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Devon Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2021 for those charged with governance.

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## Financial Statements

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

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

- receipt of management representation letter [appendix F];
- receipt and review of the final version of the Pension Fund's Annual report;
- review of the final set of financial statements; and
- final file review by the key audit partner.

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

Our anticipated audit report opinion will be unqualified.

Our audit work was completed remotely during August to November. Our findings are summarised on pages 4 to 15.

We have identified one potential significant adjustment to the financial statements that management have sought independent advice on. As can be seen on page 21, this is not material. We have not yet heard the outcome of this management consultation.

This matter and the small number of audit adjustments are detailed in Appendix C.

We have also raised one recommendation for management as a result of our audit work in Appendix A.

Our follow up of the recommendation from the prior year's audit is detailed in Appendix B.

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# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management. As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

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

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

We have not had to alter our audit plan, as communicated to you on 30 June 2021.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries noted on page 3 being resolved, we anticipate issuing an unqualified audit opinion following the County Council's Audit Committee meeting on 23 November 2021, as detailed in Appendix E.

Please note that we will be unable to complete our work and issue our audit opinion until the audit of Devon County Council has been finalised.

### Acknowledgements

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

## 2. Financial Statements



### Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan on 30 June 2021.

We detail in the table opposite our determination of materiality for Devon Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	£50m	This is 1% of the Pension Fund's net assets
Performance materiality	£37.5m	This is 75% of headline materiality
Trivial matters	£2.5m	This is 5% of headline materiality



## 2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>- evaluated the design effectiveness of management controls over journals;</li> <li>- analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li> <li>- identified and tested unusual journals made during the year and in the accounts production stage for appropriateness and corroboration; and</li> <li>- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.</li> </ul> <p>We have identified a significant control weakness regarding the processes in place for all journals above £200k.</p> <p>The Council has an authorisation process in place for all journals above the £200k threshold, whereby they are approved in advance by e-mail by a more senior member of the finance team. Such journals are then posted onto the ledger using a separate '200' journal ID.</p> <p>However, there are a number major weaknesses in this process:</p> <ol style="list-style-type: none"> <li>1. There is no check that the journal that was approved was processed as intended, which introduces a risk of fraudulent misreporting or error.</li> <li>2. There is no control to ensure that all journals above £200k are actually approved. This provides the opportunity for the approval process to be bypassed. The journals are also approved by e-mail, rather than within the Council's finance system.</li> <li>3. There is no control over the access to the '200' journal IDs which means that any member of the finance team can post journals on these codes. There is no clear audit trail as to who the poster of these journals is, which again introduces a risk of fraud.</li> </ol> <p>Due to the relatively low number of journals posted in this way we were able to review all journals relating to the Pension Fund. However, we have raised a recommendation in this Audit Findings Report to strengthen the access controls and segregation of duties around the processing of journals.</p>



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

#### Valuation of Level 3 investments

The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.

By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

Management utilise the services of investment managers and custodians as valuation experts to estimate the fair value as at 31 March 2021.

We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.

### Commentary

We have:

- evaluated management's processes for valuing Level 3 investments;
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments;
- independently requested year-end confirmations from investment managers;
- for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreed these to the fund manager reports at that date. We also reconciled those values to the values at 31 March 2021 with reference to known movements in the intervening period;
- tested revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register; and
- where available reviewed investment manager service auditor reports on design effectiveness of internal controls.

Our work in this area is complete; there are no issues we wish to report to the Audit Committee.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

#### Actuarial Present Value of Promised Retirement Benefits

The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements.

The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (£6.9 billion in 2019/20) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as a significant risk, which was one of the most significant assessed risks of material misstatement.

### Commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Fund's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability;
- tested the consistency of disclosures with the actuarial report from the actuary; and
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Our work in this area is complete; there are no issues we wish to report to the Audit Committee.



## 2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p><b>Journals</b></p> <p>As noted on page 6, during our journals testing we noted that one employee used the IDs of two senior officers to post and approve journals over £200k.</p>	<p>We assigned an elevated risk factor to journals associated with these IDs to reflect the increased risk and undertook additional testing in this area.</p> <p>No inappropriate journals were identified, although we consider this to be an internal control deficiency.</p>	<p>The Council should introduce enhanced controls over the authorisation of its journals to ensure there is adequate segregation of duties and appropriate IT access controls.</p> <p>Please see the action plan at Appendix A.</p>

## 2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £305m	<p>The Pension Fund has investments in pooled investments that in total are valued on the net asset statement as at 31 March 2021 at £305m. These investments are not traded on an open exchange or market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management has employed expert fund managers who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts.</p> <p>The fund are also supported by investment advisors and the custodian who are independent from the fund managers who can advise on the performance of this type of investments.</p>	<p>As outlined in our testing of the valuation of level 3 investments (see page 7) we have:</p> <ul style="list-style-type: none"> <li>assessed management's experts, reviewing their competence, expertise and objectivity where appropriate;</li> <li>considered the valuation techniques used against industry practice; and</li> <li>reviewed the adequacy of disclosure of the estimate in the financial statements.</li> </ul> <p>Our work in this area is complete; there are no issues we wish to report to the Audit Committee.</p>	Light purple

### Assessment

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

## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £4,335m	<p>The Pension Fund investments in level 2 investments totalled on the balance sheet as at 31 March 2021 at £4,335m. The investments are not directly traded on an open exchange / market and the valuation of the investment is subjective, although is often derived from investments in underlying quoted equities and so is not as subjective as a Level 3 investment. In order to determine the value, management has employed expert fund managers who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts.</p> <p>The fund are also supported by investment advisors and the custodian who are independent from the fund managers who can advise on the performance of this type of investments.</p>	<p>Similar to our approach for level 3 investments outlined on page 10, we have:</p> <ul style="list-style-type: none"> <li>assessed management's experts, reviewing their competence, expertise and objectivity where appropriate;</li> <li>considered the valuation techniques used against industry practice; and</li> <li>reviewed the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>Our work in this area is complete; there are no issues we wish to report to the Audit Committee.</p>	Light purple

### Assessment

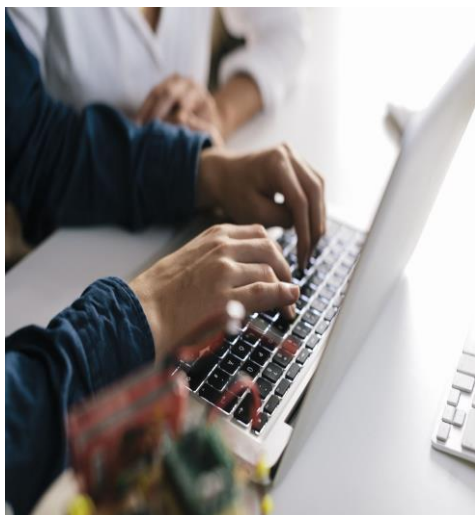
- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we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

## 2. Financial Statements - other communication requirements

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

<b>Issue</b>	<b>Commentary</b>
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Written representations</b>	A letter of representation has been requested from the Pension Fund. Please see Appendix F.

## 2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to custodians and fund managers and the Pension Fund bank. This permission was granted and the requests were sent and received.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	<p>All information and explanations requested from management was provided.</p> <p>The impact of the pandemic has meant that both your finance team and our audit team faced challenges again this year, such as remote access working arrangements, remotely observing access to financial systems, video calling, verifying the completeness and accuracy of information provided remotely produced by the Council.</p> <p>This resulted in us having to carry out additional audit procedures to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.</p>

## 2. Financial Statements - other communication requirements



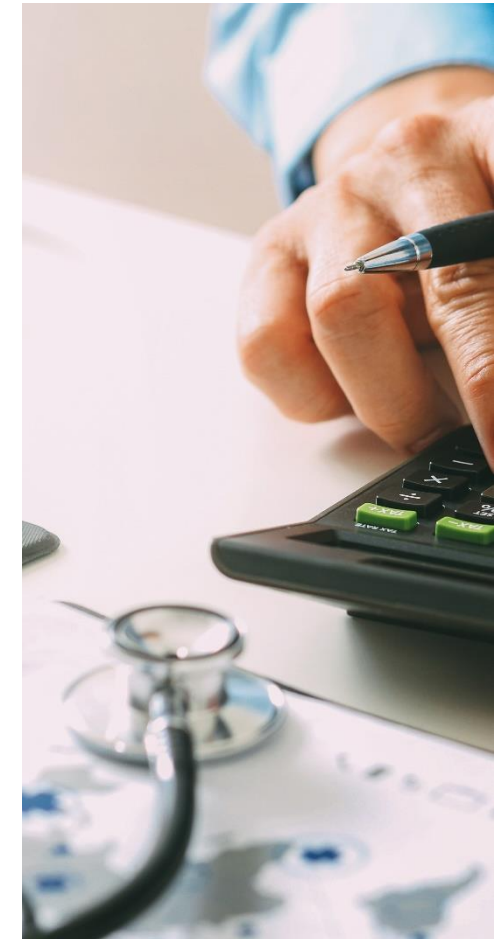
### Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Pension Fund and the environment in which it operates;</li> <li>the Pension Fund's financial reporting framework;</li> <li>the Pension Fund's system of internal control for identifying events or conditions relevant to going concern; and</li> <li>management’s going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified; and</li> <li>management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect – please refer to Appendix E.
Matters on which we report by exception	<p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.</p> <p>We have been provided with a draft version of the Pension Fund’s Annual Report and will review this on receipt of the final version of the Pension Fund’s financial statements for the year ended 31 March 2021.</p>





# 3. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons including its partners, senior managers and managers. In this context, we disclose the following to you:

A former employee of Grant Thornton, Joanne McCormick, was appointed as an Internal Audit Senior Audit Manager at the Devon Audit Partnership (DAP) in 2021 with a responsibility for overseeing DAP's work at Devon County Council, which is the administering body for Devon Pension Fund.

We consulted with our ethics colleagues regarding this who advised us that there were no independence issues for this audit. Key factors influencing this decision were:

- Joanne was not a covered person for Devon County Council or Devon Pension Fund and had no line manager responsibilities for any of the audit team;
- Joanne is not in a senior management role at Devon County Council; and
- Joanne's work is reviewed and approved by someone more senior within DAP.

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

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

Details of fees charged are detailed in Appendix D

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

# 3. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified.

Service	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Audit of Brunel Pension Partnership Limited (BPP)	40,000	None	<p>We do not consider the audit of BPP as a threat to our independence as Devon Pension Fund cannot exercise control over BPP.</p> <p>The audit of BPP is carried out by a specialist team, authorised by the Financial Standards Authority.</p> <p>The fee of £40,000 is not significant compared to the audit fees of the ten participating pension funds.</p> <p>Please note this fee is not included in the financial statements of Devon Pension Fund as is payable by BPP.</p>
IAS19 Assurance letters for Admitted Bodies	10,000	Self-Interest (because this is a recurring fee)	<p>The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £35,274 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.</p> <p>This fee is recharged to the fourteen admitted bodies and so there is no net cost to the Pension Fund. In order to ensure adequate disclosure over the fees charged to the Pension Fund we asked management to include this fee within the relevant note to this financial statements. The accounts were updated accordingly.</p>

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

# Appendices

# A. Action plan – Audit of Financial Statements

We have identified one recommendation for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	<p>Journals</p> <p>As noted on page 6, we have identified a significant control weakness regarding the processes in place for all journals above £200k.</p>	<p>The Council should introduce enhanced controls over the authorisation of its journals to ensure there is adequate Segregation of Duties and appropriate IT access controls.</p> <p><b>Management response</b></p> <p>We are reviewing the auditor's findings and will determine the most appropriate response.</p>

## Controls

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

# B. Follow up of prior year recommendations

We identified the following issue in the audit of Devon Pension Fund's 2019/20 financial statements, which resulted in one recommendation being reported in our 2019/20 Audit Findings report.

We are pleased to report that management have implemented this.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>The financial statements 2019/20 set out a number of judgements which management considered were critical when determining how to apply the accounting policies of the Pension Fund.</p> <p>Our view was that not all of the matters disclosed were 'critical' and also that the actual judgement applied was not clear.</p> <p>We recommended that the Pension Fund reviews the critical judgements disclosed within the financial statements to ensure that they are (a) critical and that (b) the judgement applied is clearly set out.</p>	<p>The Pension Fund's financial statements for 2020/21 state that no critical judgements were made during their preparation.</p> <p>We concur with this view.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Audit Adjustments

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

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000
<p><b>Treatment of advance secondary contributions</b></p> <p>Individual employers are given an option at the time of the triennial valuation to either continue paying their contributions on an annual basis over the three years, or alternatively, pay all three years upfront, in exchange for a discount. This reflects the fact that the contributions will be immediately invested as assets in the pension fund, gaining an investment return earlier than would be the case if they had continued with the normal three year payment profile. Once the amounts are handed to the fund, the fund controls how these amounts are invested to maximise the return for the respective employer.</p> <p>There is no indication to suggest the amounts can be returned to the employer at any time.</p> <p>The Pension Fund originally treated the contributions relating to years two and three as a prepayment and included this as a creditor of the fund. We disagreed with this treatment and our view is that this income should be recognised in the current financial year.</p> <p>Management sought independent advice on this item and have since adjusted the financial statements.</p>	31,583	31,583	31,583
<b>Overall impact</b>	<b>£31,583</b>	<b>£31,583</b>	<b>£31,583</b>

# C. Audit Adjustments

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

## Misclassification and disclosure changes

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

Disclosure	Comments	Adjusted?
Note 8 – audit fees	<p>The audit fee within Note 8 to the financial statements (£25,693) is made up of the original scale fee of £22,024 plus net adjustments of £3,669 relating to 2019/20.</p> <p>We asked management to amend the narrative of this note to reflect the addition to the scale fees in the Audit Plan and the IAS 19 fees – please see appendix D on page 24.</p>	✓
Note 17 – fund investments over 5% of total fund value	This note was originally produced using an earlier version of the Custodian’s report. This differences were not significant.	✓
Note 20 – Funded Obligation	Minor amendments were requested to this note to state that £9.085 billion was the gross liability and that there assets to partially offset this liability of £5.058 billion.	✓
New note – Contractual Commitments	The draft financial statements did not include a note disclosing the level of commitments at the year end. The total remaining commitments was £624m.	✓



# C. Audit Adjustments



## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
None identified.				
Overall impact	None.	None.	None.	

## Impact of prior year unadjusted misstatements

There were no adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements.

# D. Fees

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

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Pension Fund Audit per plan	35,274	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£35,274</b>	<b>£TBC</b>
<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
<b>Audit Related Services</b>		
Audit of Brunel Pension Partnership Limited (BPP)	40,000	40,000
IAS19 Assurance letters for Admitted Bodies	10,000	10,000
<b>Total non-audit fees (excluding VAT)</b>	<b>£47,000</b>	<b>£47,000</b>

The audit fee within Note 8 to the financial statements (£25,693) is made up of the original scale fee of £22,024 plus net adjustments of £3,669 relating to 2019/20.

We asked management to amend the narrative of Note 8 to reflect the addition to the scale fees in the Audit Plan that agreed by the Audit Committee (subject to PSAA approval) and the IAS 19 fees referred to above. Please see page 22.

# E. Audit opinion

Our expected audit opinion is included below.

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

## Independent auditor's report to the members of Devon County Council on the pension fund financial statements of Devon Pension Fund

### Opinion

We have audited the financial statements of Devon Pension Fund (the 'Pension Fund') administered by Devon County Council (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Asset Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

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

### Conclusions relating to going concern

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

# E. Audit opinion

In our evaluation of the County Treasurer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

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

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

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

## Other information

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

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

We have nothing to report in this regard.

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

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

# E. Audit opinion

## Matters on which we are required to report by exception

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

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

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

## Responsibilities of the Authority, the County Treasurer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [set out on page 152, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the County Treasurer. The County Treasurer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the County Treasurer 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 Pension Fund's financial statements, the County Treasurer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

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

# E. Audit opinion

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

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

# E. Audit opinion

- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- Journals posted by senior officers.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the County Treasurer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on large and unusual journals and those posted by senior officers;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments and IAS 26 pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
  - The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.
  - Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
    - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
    - knowledge of the local government pensions sector
    - understanding of the legal and regulatory requirements specific to the Pension Fund including:
      - the provisions of the applicable legislation
      - guidance issued by CIPFA, LASAAC and SOLACE
      - the applicable statutory provisions.



# E. Audit opinion

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Signature

Julie Masci, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

## Date

# F. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP  
2 Glass Wharf  
Bristol  
BS2 0EL

[Date] – (TO BE DATED SAME DATE AS DATE OF AUDIT OPINION)

Dear Sirs

**Devon Pension Fund**  
**Financial Statements for the year ended 31 March 2021**

This representation letter is provided in connection with the audit of the financial statements of Devon Pension Fund for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. 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. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

# F. Management Letter of Representation

- i. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include [...]. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- ii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Fund has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- iii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- iv. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- v. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- vi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- vii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- viii. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :
  - a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

# F. Management Letter of Representation

## Information Provided

- ix. We have provided you with:
  - a. 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;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Fund via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, from whom you determined it necessary to obtain audit evidence.
- x. We have communicated to you all deficiencies in internal control of which management is aware.
- xi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xii. 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.
- xiii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xiv. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xvi. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xvii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xviii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xix. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

# F. Management Letter of Representation

## Approval

The approval of this letter of representation was minuted by Devon County Council's Audit Committee at its meeting on 23 November 2021.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Fund**

