

The Audit Findings (ISA260) Report for Merseyside Pension Fund

Year ended 31 March 2024

13 September 2024





**Private and
Confidential**

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13 September 2024

Dear Members of the Pensions Committee

Audit Findings for Merseyside Pension Fund for the 31 March 2024

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

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf \(grantthornton.co.uk\)](#). PSAA has also published their own Quality Monitoring Report, this report is available at [Audit Quality Monitoring Report 2023 – PSAA](#).

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

John Farrar

Director
For Grant Thornton UK LLP

Chartered Accountants

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

John Farrar

For Grant Thornton UK LLP

Date: 13 September 2024

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 Merseyside Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

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

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely during July-September. Our findings are summarised on pages 5 to 20.

We have identified one adjustment to the financial statements that has resulted in a £0.015m adjustment to the Pension Fund's reported financial position. Audit adjustments are detailed in Appendix D.

Detailed within Appendix D are unadjusted misstatements, and a small number of minor amendments made to disclosures.

We have raised recommendations for management as a result of our audit work. These are set out in Appendix B.

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

- Receipt of the outstanding level 3 fund audited accounts or completion of alternative procedures
- Finalisation of level 2 investment testing
- Finalisation of the testing of large/unusual journals posted by management
- Completion of the audit work/sample testing on several non-significant risk areas of the accounts
- Final quality reviews of the audit work by the Engagement Manager and Engagement Leader
- Receipt of signed management representation letter {see Appendix F}; and
- Review of the final set of financial statements and annual report

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

Our anticipated opinion on the financial statements will be unmodified. Whilst our work on the Pension Fund financial statements is almost complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

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

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.

For Merseyside Pension Fund, the Pension Committee along with the Audit and Risk Management Committee fulfil the role of those charged with governance.

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;
- 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 at the 30 July 2024 Pensions Committee and 31 July 2024 Audit and Risk Management Committee.

Conclusion

Our work is nearing completion, and, to date, there are no matters of which we are aware that would require modification of our audit opinion [Appendix G] or material changes to the financial statements, subject to the following outstanding matters;

- Receipt of the outstanding level 3 fund audited accounts or completion of alternative procedures
- Finalisation of level 2 investment testing
- Finalisation of the testing of large/unusual journals posted by management
- Completion of the audit work/sample testing on several non-significant risk areas of the accounts
- Final quality reviews of the audit work by the Engagement Manager and Engagement Leader
- Receipt of signed management representation letter {see Appendix F}; and
- Review of the final set of financial statements and annual report

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

| | (£) | Qualitative factors considered |
|--|--------|---|
| Materiality for the financial statements | £94.0m | We have determined materiality for the audit to be £94m (equivalent to 0.9% of net assets for the prior year). This is in line with the industry standard and reflects the risks associated with the Fund's financial performance and of the investments held. |
| Performance materiality | £70.5m | Performance materiality drives the extent of our testing, and this was set at 75% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: <ul style="list-style-type: none"> • We are not aware of a history of deficiencies in the control environment • There has not historically been a large number or significant misstatements arising; and • Senior management and key reporting personnel has remained stable from the prior year audit |
| Trivial matters | £4.7m | This equates to 5% of materiality. This is our reporting threshold to the Pensions Committee and Wirral's Audit & Risk Management Committee for any errors identified. |
| Specific Materiality for fund account | £45.0m | This equates to 10% of prior year gross operating costs. |



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>Management override of controls</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. The Fund faces external scrutiny of its spending and stewardship of funds, and this could potentially place management under undue pressure in terms of how they report performance.</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, which was one of the most significant assessed risks of material misstatement.</p> | <p>We have:</p> <ul style="list-style-type: none"> evaluated the design and implementation of management controls over journals analysed the journals listing and determined the criteria for selecting high risk unusual journals identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. <p>Our testing of journals posted by management during the year is still being finalised. From the testing completed to date we have not identify any issues in respect of management override of controls.</p> |
| <p>ISA 240 Fraud in Revenue and Expenditure Recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>We have also rebutted the presumption of fraud in expenditure recognition.</p> | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition opportunities to manipulate revenue recognition are very limited the culture and ethical frameworks of local authorities, including Wirral Council mean that all forms of fraud are seen as unacceptable <p>Therefore, we do not consider this to be a significant risk for Merseyside Pension Fund.</p> |

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Level 3 investments

The Fund values its investments on a quarterly basis to ensure that carrying values are not materially different from fair values at the reporting 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 (£3,078 million) 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 as valuation experts to estimate the fair value as at 31 March 2024.

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; to ensure that the requirements of the Code are met
- 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 agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2024 with reference to known movements in the intervening period and
- in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert and where available reviewed investment manager service auditor report on design effectiveness of internal controls.
- tested revaluations made during the year to see if they had been input correctly into the Pension Fund's financial records.

Per the Fund's accounting policies, year-end values for hard to value assets frequently contain 31 December values adjusted for cashflow transactions for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2024, which we obtain via external confirmation from the external fund managers.

From the work which we have performed, the valuation of investments per the Fund's accounts (based on December values) is £15m less than that per the externally obtained investment confirmations as at 31 March 2024. Since we have tested a sample of assets, this difference was extrapolated to £17m. During our sample testing, management highlighted an isolated error where one investment was overstated by £14.7m which, when combined with the timing difference above, leads to an overall understatement of the accounts by £2m. Since the net value is below trivial, management are not proposing to amend the accounts. Further details are provided in the unadjusted misstatements schedule captured in Appendix D.

At the time of writing, we are still awaiting audited accounts for three investments in our sample in order to gain assurance over the reasonableness of the valuations. For any funds where audited accounts will not be available, we will be performing alternative procedures based on a review of service auditor reports (where available) and assessing the investment fund managers as experts.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of Direct Property

The Fund values its directly held property on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statement date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£455 million) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of an external property valuer to estimate the current value as at 31 March 2024.

We therefore identified valuation of directly held property as a significant risk for the audit, which was one of the most significant assessed risks of material misstatement.

Commentary

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written out to them and discussed with the valuer the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- engaged our own valuer to assess the instructions to the Fund's valuer, the Fund's valuation report and the assumptions that underpin the valuation. We can confirm that the external valuer appointed is independent of ourselves and the Pension Fund
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Fund's financial records

Our audit work on the valuation of directly held property did not identify any significant issues or misstatements.

Incomplete or inaccurate financial information transferred to the new general ledger

In December 2023, the Fund implemented a new general ledger system for the 2023/24 financial year-end. The Fund has moved from Oracle R12 to Oracle Fusion, a cloud-based system. When implementing a new significant accounting system, it is important to ensure that sufficient controls have been designed and operate to ensure the integrity of the data. There is also a risk over the completeness and accuracy of the data transfer from the previous ledger system. There are also potential challenges with control account reconciliations and the availability of detailed transaction reports required for audit testing.

We therefore identified the completeness and accuracy of the transfer of financial information to the new general ledger system as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.

We have:


- engaged our IT audit specialists to complete an information technology (IT) environment review. This included gaining an understanding of the changes to any processes and controls within the new system, documenting and evaluating the design and implementation of controls within the new general ledger system; and
- mapping the closing balances from the previous general ledger to the opening balance position in the new ledger to ensure accuracy and completeness of the financial information.

Our review of the IT General Controls within the new financial system identified two significant deficiencies (outlined on page 12). We considered the impact of these deficiencies on our audit and incorporated the findings into our assessment of high-risk journals for testing.

No issues have been identified from the work performed on agreeing the migration of balances.

2. Financial Statements: key judgements and estimates



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

| Item | Summary of management's approach | Audit Comments | Assessment |
|--------------------------------------|---|---|--|
| Level 3 Investments – £3,078m | <p>The Pension Fund has investments in unquoted equity and pooled investments that in total are valued on the Net Asset Statement as at 31 March 2024 at £3,078m.</p> <p>These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuations provided by the general partners to the private equity funds which the Fund invests in.</p> <p>The value of the investments has increased by £80m in 2023/24 as a result of acquisitions, disposals and valuation movements during the year.</p> | <p>Management determine the values of level 3 investments through placing reliance on the expertise of investment managers. We have tested a sample of level 3 investments to audited accounts to determine if the values estimated are reasonable and within our acceptable tolerances based on our expectation derived from the audited accounts.</p> <p>Management have disclosed, within Note 5 of the accounts, the uncertainty related to level 3 investments (absolute return funds and private equity) as well as providing a supporting sensitivity analysis within Note 15 to allow the reader to understand the potential impact on the accounts should the value of those estimates change.</p> <p>Per the Fund's accounting policies, year-end values for hard to value assets frequently contain 31 December values adjusted for cashflow transactions for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2024, which we obtain via external confirmation from the external fund managers.</p> <p>From the work which we have performed, the valuation of investments per the Fund's accounts (based on December values) is £15m less than that per the externally obtained investment confirmations as at 31 March 2024. Since we have tested a sample of assets, this difference was extrapolated to £17m. During our sample testing, management highlighted an isolated error where one investment was overstated by £14.7m which, when combined with the timing difference above, leads to an overall understatement of the accounts by £2m. Since the net value is below trivial, management are not proposing to amend the accounts. Further details are provided in the unadjusted misstatements schedule captured in Appendix D.</p> <p>At the time of writing, we are still awaiting audited accounts for three investments in our sample in order to gain assurance over the reasonableness of the valuations. For any funds where audited accounts will not be available, we will be performing alternative procedures based on a review of service auditor reports (where available) and assessing the investment fund managers as experts.</p> |  <p>Green</p> |

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] 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
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

















| Item | Summary of management's approach | Audit Comments | Assessment |
|--------------------------------------|--|--|--|
| Level 2 Investments - £2,222m | <p>The Pension Fund have investments in unquoted bonds, pooled investments and derivatives that in total are valued on the Net Asset Statement as at 31 March 2024 at £2,222m.</p> <p>The investments cannot be easily reconciled to valuations recorded on an open exchange / market as the valuation of the investments involves some subjectivity. In order to determine the value, management rely on the information which they are given from the various fund managers.</p> <p>The net value of the investments has increased by £268m in 2023-24, due largely due to the fund settling the derivative investments/liabilities contracts during the year.</p> | <p>Management determine the value of Level 2 Investments through placing reliance on the expertise of the various fund managers.</p> <p>As such we have sought confirmations of year end valuations from all main mandate managers and also tested a sample of unit values used to value level 2 investments to externally quoted information sources, or where not quoted, to unit values provided by the investment manager's own independent custodian, latest purchase/sale prices or other available evidence. Our testing identified of these investments remains on going at this time, an update will be provided on conclusion of the testing.</p> <p>We have also consulted with our specialist valuations team in determining the appropriateness of the valuation of the derivative investments. Our valuations team are performed their own valuation of a sample of the derivatives. The difference between the valuation determined by our internal valuations team and the valuation included in the accounts was below our triviality threshold. As such sufficient, appropriate assurance was gained over the valuation of derivative contracts.</p> |  Green |
| Direct Property - £455m | <p>The Pension Fund has investments in directly held investment properties that in total are valued on the Net Asset Statement as at 31 March 2024 at £455m.</p> <p>In order to determine the value, management engage independent RICs qualified valuers, Savills, to calculate the fair value of the properties on the basis of their Market Value. All of the properties held by the Fund were valued as at 31/3/2024.</p> <p>The value of the investments have decreased by £15m in 2023/24, this was a result of decreases in the fair value of the properties on revaluation as at 31/3/24 of £23m, offset against net acquisitions in year of £8m.</p> | <p>Management determine the value of Level 3 direct property investments through placing reliance on the expertise of the property valuer.</p> <p>As such we have sought confirmations of year end valuations from the valuer as well as corresponding with them to understand and assess their skills, competence and independence from the Fund in valuing the investment properties. We have also evaluated the assumptions used in the calculation of the estimate as well as the source evidence they relied upon.</p> <p>We compared movements in individual asset values to movements in market indices and challenged management on any movements which were outside of our expected range.</p> <p>As with our prior year audit, we engaged our own auditors expert to assess the instructions provided to the valuer in comparison to the requirements from CIPFA / IFRS / RICS and also to assess the valuation methodology and approach, resulting assumptions adopted and any other relevant points.</p> <p>We did not identify any issues with the approach or assumptions adopted by the Fund's external property valuer.</p> |  Green |

Assessment





- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber} 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
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

| IT application | Level of assessment performed | Overall ITGC rating | ITGC control area rating | | | | Related significant risks/other risks | Additional procedures carried out to address risks arising from our findings |
|--|--|---|---|---|---|---|--|--|
| | | | Security management | Technology acquisition, development and maintenance | Technology infrastructure | | | |
| Oracle E Business Suite | Detailed ITGC assessment (roll forward only) |  Red |  Red |  Grey |  Grey | All significant risks | The 2 significant deficiencies identified in 2022-23, remain for this year – refer to Appendix C. | |
| Oracle Fusion | Detailed ITGC assessment (design effectiveness only) |  Red |  Red |  Green |  Green | All significant risks | There were 2 significant deficiencies identified (See recommendations at Appendix B). We have reviewed the findings of the IT audit and factored this into our journals testing strategy. Also, since the majority of the pension fund posting are agreeable to custodian reports or 3 rd party confirmations, we have assurance over information produced by the entity (IPE). | |
| Pension Administration System - Altair | Detailed ITGC assessment (roll forward only) |  Green |  Green |  Green |  Green | Links to management override of controls, Fund Account Balances and data provided to the actuary in relation to IAS 19 procedures | None required | |
| Active Directory | Streamlined ITGC design assessment |  Green |  Green |  Grey |  Grey | None | None required | |

Assessment

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

2. Financial Statements: Information Technology

We also performed specific procedures in relation to the significant changes during the audit period, specifically the new system implementation. We observed the following results:

| IT system | Event | Result | Related significant risks/ risk/observations |
|---------------|---------------------------|--|---|
| Oracle Fusion | New system implementation | No deficiencies identified related specifically to the implementation of the new system – see page 12 for ITGC deficiencies. | None |

Assessment

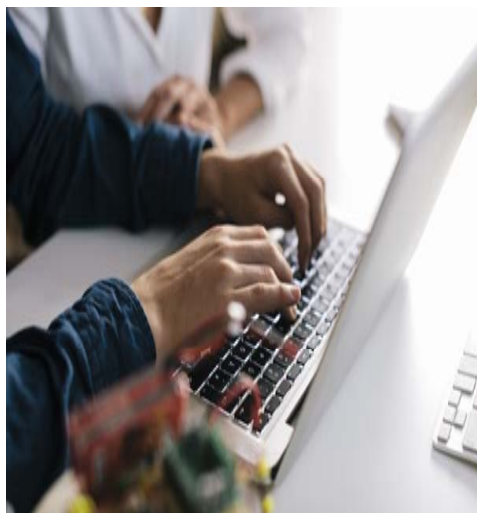
- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant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

2. Financial Statements: other communication requirements

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

| Issue | Commentary |
|--|---|
| Matters in relation to fraud | We have previously discussed the risk of fraud with the Pensions Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures. |
| Matters in relation to related parties | We are not aware of any related parties or related party transactions which have not been disclosed. |
| Matters in relation to laws and regulations | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. |
| Written representations | A letter of representation has been requested from the Pension Fund, which is included separately in the Pensions Committee papers. We have not requested any additional specific representations from management. |
| Audit evidence and explanations | All information and explanations requested from management was provided. We note that management provided us with a set of draft financial statements in advance of the national deadline for preparing accounts. We thank management for their assistance in ensuring the smooth execution of the audit. |

2. Financial Statements: other communication requirements



| Issue | Commentary |
|---|---|
| Confirmation requests from third parties | We requested direct confirmations from the Fund's bankers, custodian and all main mandate fund managers, plus a sample of managers of alternative investments. Appropriate confirmations were received for all requests, however we are still awaiting audited accounts for three level 3 investments. |
| Accounting practices | <p>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.</p> <p>For key management personnel we have noted that the Fund has used contributions as an estimate for post-employment benefits. This area is subject to discussion within the sector but the CIPFA example accounts do note that assuming that most key personnel identified will belong to the LGPS or other defined benefit pension schemes, disclosure of employer contributions payable in the period will not generally represent an accurate basis for estimating post-employment benefits.</p> <p>We are satisfied that readers will not be misled by the current disclosures but have discussed with management and this is an area that will be kept under review.</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.</p> <p>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"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <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"> the nature of the Pension Fund and the environment in which it operates the Pension Fund's financial reporting framework the Pension Fund's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <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"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. |

2. Financial Statements: other responsibilities under the Code

| Issue | Commentary |
|--|---|
| Other information | <p>The Pension Fund is administered by Wirral Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect - refer to Appendix H.</p> |
| Matters on which we report by exception | <p>We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.</p> <p>We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report alongside the opinion on the accounts.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p> |



3. Independence considerations

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

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in 7 September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#). PSAA has also published their own Quality Monitoring Report, this report is available at [Audit Quality Monitoring Report 2023 - PSAA](#).

3. Independence considerations

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 which were charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

| Service | Fees £ | Threats identified | Safeguards |
|---|---------------------------------|--------------------------|---|
| Audit related | | | |
| IAS 19 Assurances (bodies external to NAO code of practice – 3 employers) | £3,300 (£1,100 per employer) | Self-Interest & Advocacy | <p>This work relates to bodies external to the NAO Code of Practice. The fee for this work is recurring but not significant compared to the audit of the financial statements of and in particular relative to Grant Thornton UK LLP's turnover overall. The fee is fixed based on the number of admitted bodies. Further, the work is on audit related services and integrated with the testing undertaken as part of the audit.</p> <p>These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the financial information on which our assurances will be used by the requesting auditor. Any decisions whether to change controls over, or edits required to, financial information arising from our findings will be a matter for informed management.</p> <p>We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. Informed management understand the operation of systems and can challenge our recommendations as appropriate.</p> <p>Self-Interest – Work is awarded as part of the central PSAA LG contract, additional fees are reviewed and approved by PSAA.</p> <p>Advocacy - Work is subject to internal review by qualified accountants. Template letters and methodology are created centrally to support the teams in wording communications objectively.</p> |
| Non-audit Related | | | |
| None | | | |

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

3. Independence and ethics

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

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

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

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

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Management Letter of Representation
- G. Audit opinion
- H. Consistency Opinion

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

B. Action Plan – Audit of Financial Statements

We have identified four recommendations for the Pension Fund as a result of issues identified during the course of our audit, all related to IT general controls. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2024/25 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>Self-assigned access within Oracle Fusion</p> <p>During the audit period, we identified that 19 users self-assigned a total of 265 roles. Out of the 19 accounts, 17 belonged to NAMOS (application support partner) in which 16 were individual accounts and 1 was generic account, while the remaining 2 accounts belonged to individuals from Wirral MBC.</p> <p>However, we were unable to obtain approvals or justification for the self-assignment of roles. Furthermore, we understood that there was no process in place for self-assigning roles in Oracle Fusion.</p> <p>Risk</p> <p>User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.</p> | <ul style="list-style-type: none"> Management should develop formal user access management procedures to ensure activities are consistently performed, logged and monitored. Where new user access requests are initiated, management should have a process in place to record, approve and action the request based on user role, team and access level. <p>Management response – from Wirral MBC</p> <p>A formalised process is now in place to ensure that any requests for access to the Fusion system are recorded and given the necessary approval from the relevant team before the role is granted.</p> <p>We have updated the Fusion user access policy document on the Intranet to instruct users under no circumstances should roles be self-assigned for the Fusion Financials System.</p> <p>We have removed the IT Security Manager role from all the Namos accounts, so they are no longer able to self-assign roles.</p> <p>Management response – from MPF</p> <p>MPF acknowledges that it comes under the overall risk assessment for the Oracle Fusion system - however it is useful to note; User account creation and role assignment is not under the direct control of MPF users User roles allocated to MPF staff are as recommended by the system consultants</p> |

Controls

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

B. Action Plan – Audit of Financial Statements

| Assessment | Issue and risk | Recommendations |
|--------------------|---|---|
| <p>High</p> | <p>Segregation of duties conflict within Oracle Fusion</p> <p>We identified that 18 individual users with Financial roles were granted administrative access to Oracle resulting in a SOD issue.</p> <p>Further observed that the administrative rights were granted to excessive number of accounts. A total of 58 individual users (25 from NAMOS and 33 users from Wirral) with 25 roles were granted administrative access in Oracle Fusion.</p> <p>Risk</p> <p>A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to:</p> <ul style="list-style-type: none"> - unauthorised changes being made to system parameters - creation of unauthorised accounts, - unauthorised updates to their own account privileges - deletion of audit logs or disabling logging mechanisms. | <ul style="list-style-type: none"> • Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding of roles, privileges assigned to those roles and where incompatible duties exist. It may be helpful to create matrices to provide an overview of the privileges assigned to roles. • Management should adopt a risk-based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business. • If incompatible business functions are granted to users due to organisational size constraints, management should ensure that there are review procedures in place to monitor activities [e.g. reviewing system reports of detailed transactions; selecting transactions for review of supporting documents; overseeing periodic counts of physical inventory, equipment or other assets and comparing them with accounting records; and reviewing reconciliations of account balances or performing them independently] <p>Management response – from Wirral MBC</p> <p>All Namos administrative roles have been removed and a review is taking place to see which Wirral users need the administrative roles to carry out their duties.</p> <p>We are going to produce a matrix of the administrative seeded roles and plan to create custom roles that only contain permissions needed to carry out the users role.</p> <p>We will also use this matrix to carry out reviews of which areas users access using audit logs.</p> <p>Management response – from MPF</p> <p>The roles MPF assigned after long discussions and testing during the implementation stage of Oracle Fusion, where the seeded roles recommended by the Oracle implementation consultants.</p> <p>The risks identified by Grant Thornton are under investigation by management to determine whether they are real risks, as discussion and testing during development provided assurances that these risks were mitigated.</p> |

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Merseyside Pension Fund's 2022/23 financial statements, which resulted in two recommendations being reported in our 2022/23 Audit Findings Report. We have followed up on the implementation of our recommendations and note that both remain outstanding for 2023-24, however this is due to both the Council and the Pension Fund migrating to a new financial ledger system during the year.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|--|---|
| X | <p>Inadequate control over privileged/ generic accounts within Oracle EBS</p> <p>The excessive use of accounts with privileged access increases the risk of end-users being able to</p> <ul style="list-style-type: none"> - change system configuration settings without authorisation and approval - read and modify sensitive data, - create, modify or delete user accounts without authorisation, - delete or disable system audit logs. <p>Management should undertake a review of all user accounts on Oracle EBS to identify all generic/ privileged accounts. For each account identified management should confirm the:</p> <ul style="list-style-type: none"> - requirement for the account to be active and be assigned privileged access; - which users have access; - controls in place to safeguard the account from misuse. <p>Where possible, [privileged - generic] accounts should be removed, and individuals should have their own uniquely identifiable user accounts created to ensure accountability for actions performed. Alternately, management should implement suitable controls to limit access and monitor the usage of these accounts (i.e. through increased use of password vault tools / logging and periodic monitoring of the activities performed). Where monitoring is undertaken this should be formally documented and recorded.</p> <p>Wirral MBC Management Response - We provided screen shots for the MBoW – Highways Maintenance responsibility as an example of the exclusions which we have configured within the system. We have checked a number of additional responsibilities, and they all have the same exclusions set, we believe this is our standard configuration and will be the same for any responsibility we have configured within the system The additional responsibilities we have checked are :-</p> <p>MBoW Service Delivery – Streetscene MBoW FOH - Telephone Agent MBoW FOH - Email Agent MBoW FOH - Web Agent MBoW – Biffa</p> | <p>The Pension Fund migrated to Oracle Fusion in December 2023 and so Oracle EBS is no longer used by the Fund.</p> |

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|--|---|
| X | <p>Inadequate control over privileged/ generic accounts within Oracle EBS Database</p> <p>Users with administrative privileges in Oracle EBS database have the ability to bypass system-enforced internal control mechanisms and may compromise the integrity of financial data. The use of generic or shared accounts with high-level privileges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual.</p> <p>Management should undertake a review of all user accounts on the Oracle EBS Database to identify all generic privileged accounts. For each account identified management should confirm the following:</p> <ul style="list-style-type: none"> - requirement for the account to be active and be assigned privileged access; - which users have access; - controls in place to safeguard the account from misuse. <p>Where possible, privileged/ generic accounts should be removed, and individuals should have their own uniquely identifiable user accounts created to ensure accountability for actions performed.</p> <p>Alternatively, management should implement suitable controls to limit access and monitor the usage of these accounts (i.e. through increased use of password vault tools / logging and periodic monitoring of the activities performed). Where monitoring is undertaken this should be formally documented and recorded.</p> <p>Wirral MBC Management Response - The two Unix accounts are used by our DBA Team to undertake certain functionality to support the system. Our DBA team use these administration accounts to perform tasks such as starting and stopping databases, managing memory and storage and creating and managing database user accounts.</p> <p>Access to these accounts is limited to two individuals who work in the DBA Team. The other generic accounts have been setup and configured as part of the EBS implementation, and the account details are embedded within many of the operating processes within the system which make them extremely difficult and high-risk to attempt to remove.</p> | <p>The Pension Fund migrated to Oracle Fusion in December 2023 and so Oracle EBS is no longer used by the Fund.</p> |

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net assets for the year ending 31 March 2024.

| Detail | Pension Fund Account £ | Net Asset Statement £ | Impact on total net assets £ |
|---|--------------------------------|-------------------------------------|-------------------------------------|
| Fund Account & Note 11c – Oversight & Governance Costs – External Audit Fees The draft accounts included a reduction of £29,971 to external audit fees due to a fee rebate received during the year. The figure per the draft accounts was inaccurate and the actual 23/24 fee rebate received was £15,542. | Management Expenses £0.015m | Net Assets of the Fund (£0.015m) | Net Assets of the Fund (£0.015m) |
| Overall impact | £0.015m | (£0.015m) | (£0.015m) |

Misclassification and disclosure changes

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

| Disclosure/issue/Omission | Auditor recommendations | Adjusted? |
|---|---|-----------|
| Presentation/Disclosure Changes A number of minor amendments have been suggested to management from our financial statements' presentation and internal consistency review. | The final version of accounts is to be amended for these matters. | ✓ |

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Pensions Committee is required to approve management's proposed treatment of all items recorded within the table below.

| Detail | Pension Fund Account £ | Net Asset Statement £ | Impact on total net assets £ | Reason for not adjusting |
|--|------------------------|-----------------------|------------------------------|--|
| <p>Level 3 Investments Valuation</p> <p>Per the Fund's accounting policies, year-end values for hard to value assets frequently contain 31 December values adjusted for cashflow transactions for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2024, which we obtain via external confirmation from the external fund managers.</p> <p>From the work which we have performed, the valuation of investments per the Fund's accounts (based on December values) is £15.7m less than that per the externally obtained investment confirmations as at 31 March 2024. Since we have tested a sample of assets, this difference was extrapolated to £17.6m.</p> | £0 | £17.6m | £17.6m | Difference is immaterial |
| <p>Level 3 Investments Valuation</p> <p>From our testing of a sample of level 3 investments valuations, we also identified an isolated error when one investment was overstated by £14.7m. This issue occurred as a result of a corporate action event which resulted in the Fund receiving 15,000,000 shares in an investment. When the asset was initially input into the investment ledger at £1 per share, due to the absence of a market price. This valued the investment at £15m. In reviewing the valuation of this asset as at 31 March 2024, the last traded price of the investment before 31 March 2024 was 1.82 pence. As such, the valuation of this investment at 31 March 2024 should be £273,000. The Fund are performing additional procedures to ensure that this is an isolated incident and to mitigate the risk of this type of error occurring going forward.</p> | £0 | (£14.7m) | (£14.7m) | Difference is immaterial |
| Overall impact | £0 | £2.9m | £2.9m | Net difference is below trivial |

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

| Detail | Pension Fund Account £ | Net Asset Statement £ | Impact on total net assets £ | Reason for not adjusting |
|--|------------------------|-----------------------|------------------------------|--|
| <p>Level 3 Investments</p> <p>Per the Fund's accounting policies, year-end values for hard to value assets frequently contain 31 December values adjusted for cashflow transactions for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2023, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years as a result of Brexit and Covid, these movements have been more volatile.</p> <p>The total value of the items within our sample is £2.160bn, out of the total population per the accounts of £2.998bn. From the work which we have performed current difference between the valuation of investments per the Fund's accounts and that per the externally obtained investment confirmations as at 31 March 2023 is £28.9m.</p> <p>Since we only tested a sample of investments covering £2,160m out of the total population balance of £2,998m we have extrapolated the error which gives a projected difference of £47.3m. We have included this extrapolated figure in the unadjusted misstatements section of our report as management are not amending for this difference due to the amount being below our materiality level.</p> <p>As part of our work, we also create our own expectation of the valuation of the assets based upon the latest available financial statements for each of the individual investments. The difference between our own projection of the valuation compared to the values applied by the Fund was only £10m. This gives us assurance that the figures applied by management are materially correct in the accounts.</p> <p><u>Impact on 2023-24 Accounts</u></p> <p>These investments are valued quarterly by investment fund managers and the values will increase/decrease throughout the year with the associated unrealised gain/loss also being frequently updated. There is no carried forward impact on the 2023-24 accounts as all investments will be valued at their latest available valuation in the financial statements. Our findings on the valuation of level 3 investments as at 31 March 2024 are detailed on page 8.</p> | £47.3m | £47.3m | £47.3m | Value is below performance materiality and based upon extrapolation. |
| Overall impact | £47.3m | £47.3m | £47.3m | |

E. Fees and non-audit services

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

| Audit fees | Proposed fee | Final fee |
|--|---------------------|------------------|
| Merseyside Pension Fund Audit Scale Fee | £111,554 | £111,554 |
| ISA 315 Additional Fee | £7,530 | £7,530 |
| External Valuation Expert (Level 3 Directly-held Property) | £5,000 | £5,000 |
| Implementation of new ledger during the year | £10,000 | £10,000 |
| Total Audit Fees (excluding VAT) | £134,084 | £134,084 |
| Non-audit fees for other services | | |
| Audit Related Services | | |
| IAS 19 letters for employer body auditors (external to NAO Code of Practice) | £3,300 | £3,300 |
| Total fees (excluding VAT) | £137,384 | £137,384 |

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

The fees reconcile to the financial statements as per Note 11c. None of the above services were provided on a contingent fee basis .

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

F. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

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

Dear Sirs

Merseyside Pension Fund Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Merseyside Pension Fund for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 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 2023/24 ("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.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include level 2 investments, level 3 investments and directly-held investment property. 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 used. 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.
- vi. 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.
- vii. 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.
- viii. 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.
- ix. 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.
- x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. 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.

Information Provided

- i. 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 from whom you determined it necessary to obtain audit evidence.
- ii. We have communicated to you all deficiencies in internal control of which management is aware.

F. Management Letter of Representation

- i. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- ii. 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.

- i. 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.
- ii. 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.
- iii. 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.
- iv. 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.

- i. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- ii. 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.
- iii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Fund's Pensions Committee at its meeting on 24 September 2024 and the Audit & Risk Management Committee on 22 October 2024.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Fund

G. Audit opinion

Our audit opinion is included below. We anticipate we will provide the Pension Fund with an unmodified audit report.

Independent auditor's report to the members of Wirral Metropolitan Borough Council on the pension fund financial statements of Merseyside Pension Fund

Opinion on financial statements

We have audited the financial statements of Merseyside Pension Fund (the 'Pension Fund') administered by Wirral Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

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 2024 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; 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 Director of Finance'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.

In our evaluation of the Director of Finance'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 2023/24 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 2022) 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.

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 Pension Fund 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 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.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Director of Finance is responsible for the other information. Our opinion on the 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.

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

We have nothing to report in this regard.

Opinion on other matters 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, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Director of Finance

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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 Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial

G. Audit opinion

statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and 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 Pension Fund's 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 they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003), Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

We enquired of management and the Pensions 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 management, internal audit and the Pensions Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

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

- journal entries that altered the Fund's financial performance for the year;
- potential management bias in determining accounting estimates and judgements in relation to:
 - the valuation of level 3 investments
 - the valuation of level 2 investments
 - the valuation of directly-held properties

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on manually posted journals, large journals over performance materiality, self-approved journals, and any journals posted by senior management.
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 investments, level 3 investments and directly held property, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

communicated relevant laws and regulations and potential fraud risks to all engagement team members, including management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

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

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

G. Audit opinion

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 85 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:

John Farrar, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Liverpool

Date:

H. Consistency opinion

Independent auditor's statement to the members of Wirral Metropolitan Borough Council on the pension fund financial statements of Merseyside Pension Fund included within the pension fund annual report

Opinion

We have examined the pension fund financial statements of Merseyside Pension Fund (the 'pension fund') for the year ended 31 March 2024 included within the pension fund annual report, which comprise the Fund Account, the Net Assets Statement, and the notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the pension fund financial statements are consistent, in all material respects, with the audited financial statements of Wirral Metropolitan Borough Council for the year ended 31 March 2024 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We have not considered the effects of any events between the date we signed our report on the audited financial statements of Wirral Metropolitan Borough Council, and the date of this statement as they are the same date.

Respective responsibilities of the Director of Finance and the auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance is responsible for the preparation of the pension fund's financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Our responsibility is to state to the members of Wirral Metropolitan Borough Council our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of Wirral Metropolitan Borough Council.

We also read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor's statement thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of Wirral Metropolitan Borough Council describes the basis of our opinion on those financial statements.

Use of this auditor's statement

This statement is made solely to the members of Wirral Metropolitan Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Wirral Metropolitan Borough Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Wirral Metropolitan Borough Council and the members of Wirral Metropolitan Borough Council, as a body, for our work, for this statement, or for the opinions we have formed.

[Signature]

John Farrar, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

[Date]

