

# The Audit Findings for Shropshire County Pension Fund

Year ended 31 March 2021



# Contents



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## Section

1. Headlines
2. Financial statements
3. Independence and ethics

## Appendices

- A. Action plan
- B. Audit adjustments
- C. Fees
- D. Audit Opinions

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 Shropshire County Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2021 for those charged with governance.

Under the Council's governance arrangements the Audit Committee are determined to be 'Those Charged with Governance' but we have determined to communicate with the Pensions Committee given its role in oversight of the production of the Pension Fund Annual Report (including the financial statements).

## 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 position of the Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We received the Pension Fund's draft Annual Report, including the draft accounts, on 5 July 2021. The receipt of the draft Annual Report is ahead of many other pension funds and was before the Council published its Statement of Accounts, which include the pension fund accounts, on 31 July 2021.

Our audit work was completed remotely during June to August. Our findings are summarised on pages 4 to 14. We have identified one adjustment to the financial statements included within the draft Annual Report received on 5 July 2021 that resulted in a £45 million adjustment to the Pension Fund's Fund Account and Net Asset Statement balances at 31 March 2021. This amendment was processed within the Council's Statement of Accounts before they were published on 31 July 2021.

Audit adjustments are detailed in Appendix B. We set out a recommendation in relation to this in Appendix A.

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

- receipt of a signed management representation letter; 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.

We have identified:

- £6.8m of valuation differences between the accounts and final fund manager statements [pages 9 and 19] and,
- a £1.6m extrapolated uncertainty in respect of benefit payments [page 19].

The sums are not material individually or in aggregate. Management are proposing not to adjust for the valuation differences on the basis that they do not materially affect the financial statements. The extrapolated uncertainty cannot be adjusted for and is also not material.

The Audit Committee will be asked to confirm its agreement with management's proposal not to adjust through the Letter of Representation. The Pensions Committee is asked to confirm its agreement as part of its reporting to the Audit Committee.

In addition, we identified some changes to disclosure notes and in particular the fair value basis of valuation at note 14 where this was amended to better describe the basis of valuation of some funds and also change the fair value category for some funds (with some pooled funds changing from Level 1 to Level 2)

Our anticipated audit report opinion at this stage will be unmodified.

# 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 and the Pensions Committee.

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

## Audit approach

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

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- 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 in June 2021.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing unqualified audit opinions on the financial statements and the Annual Report following the Pensions and Audit Committee meetings in September 2021, as detailed in Appendix D. These outstanding items include:

- receipt of a signed management representation letter; and,
- review of the final set of financial statements.

## Acknowledgements

We would like to take this opportunity to record our appreciation for the good assistance provided by the Treasury and Pension Team staff. The impact of the pandemic has meant that both your team and our audit team faced audit challenges again this year and both teams have had to operate virtually.

# 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 detail in the table below our determination of materiality for the Pension Fund.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	20m	We determined materiality for the audit of the Fund's financial statements as a whole to be £20m, which is approximately 1% of the Fund's net assets as at 31 March 2021. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in security and value of its assets.
Performance materiality	15m	We have determined £15m (75% of materiality) to be an appropriate level for Performance Materiality. The Fund has a stable, experienced team with no history of accounting issues and this continues to be the case.
Trivial matters	1m	We deem matters below 5% of materiality to be sufficiently trivial not to warrant drawing to the attention of the Committee



## 2. Financial Statements - Significant risks

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

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

### Risks identified in our Audit Plan

### Commentary

#### Management override of controls

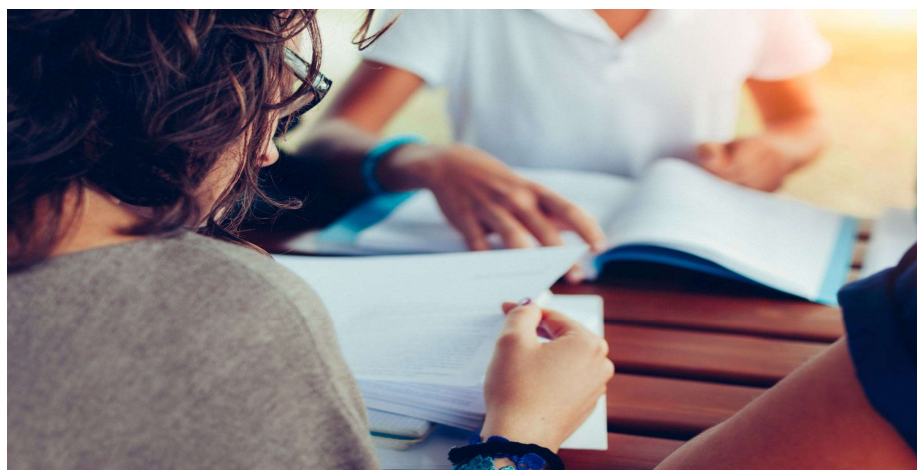
Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of assets and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement

We :

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk unusual journals;
- tested high risk and unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any significant issues in respect of revenue recognition.



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Improper revenue recognition

Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.

Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because:

- there is little incentive to manipulate revenue and expenditure recognition
- opportunities to manipulate revenue and expenditure recognition are very limited; and
- the culture and ethical frameworks of local authorities, including the administering authority for the Fund, Shropshire Council, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for Shropshire Pension Fund.

There are no changes to our assessment reported in the audit plan.

Our audit work has not identified any issues in respect of revenue recognition.

#### Valuation of Level 3 investments

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

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

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

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

We :

- Evaluated management's processes for valuing Level 3 investments
- Reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investment to ensure that the requirements of the Code are met;
- Independently requested year-end confirmations from investment managers, with an additional focus on ensuring use of appropriate International Private Equity and Venture Capital Valuation (or equivalent) methodology in their valuation books, updated for most recent available guidance in relation to Covid-19;
- For a sample of investments, tested the valuation by comparing the valuation per the General Ledger (typically based on an investor statement as at the reporting date or, in the case of harder to value assets, the latest capital statement available adjustment for known cash movements in the final quarter of the year) to direct confirmation of capital balances from Investment Managers and, where available, latest audited financial statements;
- Analysed the Fund's holdings by sector, applying an additional layer of professional scepticism and challenge in relation to any assets with potential exposure to the pandemic or economic impact of Brexit.

Our work identified that the actual value as at 31 March 2021 for the HarbourVest private equity fund had risen by £45 million from that estimated in the accounts. The final capital statement was not available when the pension fund accounts presented for audit were closed down. This amendment was processed within the Council's Statement of Accounts before they were published on 31 July 2021.

## 2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments	The Pension Fund has investments in unquoted investments and pooled investments that in total are valued on the balance sheet as at 31 March 2021 at £364m. 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.	Management determine the value of Level 3 Investments through placing reliance on the expertise of the investment managers. As such we have sought confirmations of year end valuations from all main mandate managers. We have also tested a sample of Level 3 investments to audited accounts and final capital statements to determine if the values estimated are reasonable. Please see our findings on page 7 where we identified a material (£45m) change in the final value of a private equity fund from the estimated value in the accounts..	Purple

### Assessment

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



## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Level 2 Investments</b>	<p>The Pension Fund has investments in unquoted bonds and pooled investments that in total are valued on the balance sheet as at 31 March 2021 at £162m. The investments can not 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>Management determine the value of Level 2 Investments through placing reliance on the expertise of the various fund managers. As such we have sought independent 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.</p> <p>As in previous years the Fund estimated the year end value of Global Infrastructure Partners and Aberdeen Property Investors as the final 31 March statements are not received when closing accounts down.</p> <p>As set out in Appendix B we have identified valuation differences between the accounts and that shown on 31 March 2021 fund capital statements. In many cases this was due to timing differences in estimated and actual values. Fund manager statements were £6.8m higher in value than that shown in the accounts.</p> <p>The difference is significantly below our materiality and management have determined not to adjust for it. We have found no other issues with this testing and are satisfied that the estimate is appropriately disclosed in the accounts.</p>	Light Purple

### Assessment

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

## 2. Financial Statements - other communication requirements

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

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 other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund, which is included in the Committee papers.

## 2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested direct confirmations from the custodian and all main mandate fund managers, plus a sample of managers for alternative investments for investment balances. We have received confirmations from managers.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Some adjustments were made to disclosures as set out in Appendix B.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

## 2. Financial Statements - other communication requirements



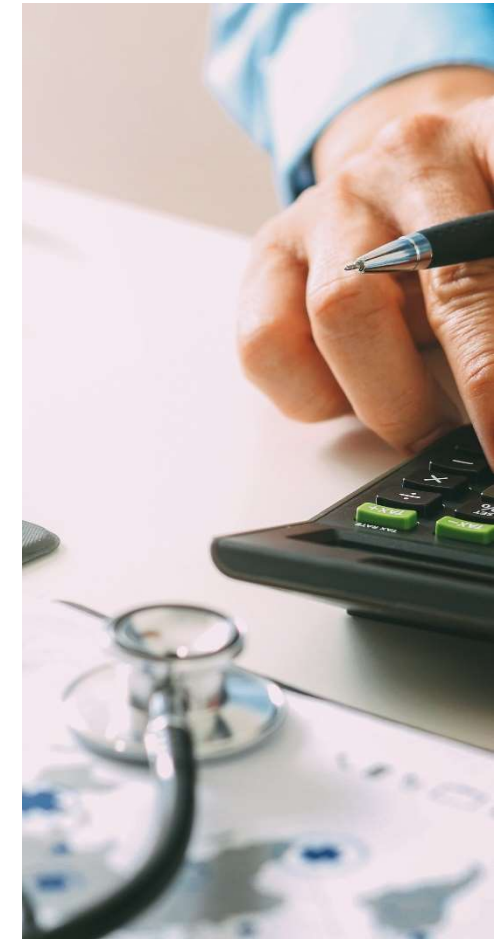
### Our responsibility

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

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

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

Issue	Commentary
Disclosures	No inconsistencies have been identified/Inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix D
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our ‘consistency’ opinion on the Pension Funds Annual Report shortly.



# 3. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix C

## Transparency

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

# 3. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. We set out below the non-audit services were identified which were charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related	none		
Non-audit Related			
IAS19 Assurance letters for Admitted Bodies	5,000 (2020/21) and 3,000 (2019/20)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work was £3,000 (in 2019/20) in comparison to the total fee for the audit of £30,289 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

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

# Appendices



# A. Action plan – Audit of Financial Statements

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

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>There was a difference between the estimated value of the HarbourVest private equity fund and the actual value included in the final capital statement of £45 million. The estimate had been based on a roll forward from the 30 September 2020 capital statement. After we raised this, an amendment was processed within the Council’s Statement of Accounts before they were published on 31 July 2021.</p>	<p>Explore ways to improve estimation techniques to enhance the accuracy of the valuation of fund assets in the accounts in future years.</p> <p><b>Management response</b></p> <p>The draft accounts are prepared in early June in order to meet the Council’s closedown timetable. The latest Harbourvest valuations available at that date are the September valuations. The March valuations are not received by the Fund until mid-July. When they were received this year, due to the large increase in value of £45m which is very positive news for the Fund, the accounts were updated to reflect the updated position before they were presented to Audit Committee and signed off by the Executive Director of Resources at the end of July as part of the Council’s Statement of Accounts. Fund Officers have asked Harbourvest if valuations can be provided any earlier in future years but this is unachievable. There is always a difference between estimates and actuals at the year-end but this year the increase was higher than normal due to the strong bounce back in equity markets following the global pandemic.</p>

## Controls

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

# B. Audit Adjustments

## Impact of adjusted misstatements

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

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

Detail	Pension Fund Account £	Net Asset Statement £	Impact on total net assets £
Increase in valuation of HarbourVest private equity fund to reflect actual 31 March 2021 valuation.	45m	45m	45m
Overall impact	45m	45m	45m

## 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 omission	Adjusted?
Note 14 fair value-basis of valuation. This was amended to better describe the basis of valuation of some funds and also change the fair value category for some funds (with some pooled funds changing from Level 1 to Level 2)	✓
Note 4 critical judgements in applying accounting policies. This note was revised to reduce judgements to only those critical to the accounts.	✓
The Annual Report was amended to include external audit fees payable for 2020/21.	✓
There were a few other minor amendments were made to correct typing and rounding errors and the format of statements	✓

# B. Audit Adjustments



## Impact of unadjusted misstatements

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

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Total remaining differences between value of investment assets shown in the accounts and that shown on 31 March 2021 fund capital statements. In many cases this was due to timing differences in estimated and actual values. Fund manager statements were £6.8m higher in value than that shown in the accounts.	6,800	6,800	6,800	Not material.
We were unable to completely verify three benefit calculations due to the additional evidence being stored on microfiche at Shire Hall and officers not having access to this currently. The value of these elements of the payments was extrapolated to demonstrate the error was not material to the accounts. The total extrapolated value of reduction is shown here.	1,624	1,624	1,624	Based on extrapolation which was not material

# C. Fees

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

	Proposed Fee 2020/21	Final Fee 2020/21
Shropshire Pension Fund Audit PSAA Scale Fee	£18,039	£18,039
Raising the Bar/Regulatory Factors	£2,800	
Valuation of Level 3 Investments	£1,450	
On-going 2019/20 Fee Variation	£4,250	£4,250
Impact of ISA 540 on PSAA Scale Fee	£6,000	£6,000
Impact of ISA 240/700 on PSAA Scale Fee	£2,000	£2,000
<b>Total audit fees for Pension Fund Audit (excluding VAT)</b>	<b>£30,289</b>	<b>£30,289</b>

Per Note 7 to the Pension Fund accounts the narrative note explains the difference between the £22k within the financial statements and the audit fee proposed. Non-audit fees are recharged to employers and not separately disclosed.

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
Audit Related Services	0	0
Other [IAS19 letters to auditors in 2020/21]	£5,000	£5,000
<b>Total non-audit fees (excluding VAT)</b>	<b>£5,000</b>	<b>£5,000</b>

# D. 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 Shropshire Council on the pension fund financial statements of Shropshire County Pension Fund

### Opinion

We have audited the financial statements of Shropshire County Pension Fund (the 'Pension Fund') administered by Shropshire Council (the 'Authority') for the year ended 31 March 2021 which comprise the Pension 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities, 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 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

# D. Audit opinion

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

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

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

## Other information

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

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, 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.

# D. Audit opinion

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

## Responsibilities of the Authority, the Executive Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 16 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 Executive Director of Resources. The Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources 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 Executive Director of Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

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

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

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the 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 senior officers 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.

# D. Audit opinion

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

- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:
    - journal entries posted by senior officers, with no description and post year end;
    - the valuation of level 3 investments
  - Our audit procedures involved:
    - evaluation of the design effectiveness of controls that the Executive Director of Resources has in place to prevent and detect fraud;
    - journal entry testing;
    - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments;
    - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
  - These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
  - The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition,
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
    - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
    - knowledge of the local government pensions sector
    - understanding of the legal and regulatory requirements specific to the Pension Fund including:
      - the provisions of the applicable legislation
      - guidance issued by CIPFA, LASAAC and SOLACE
      - the applicable statutory provisions.
  - 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.



# D. Audit opinion

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

## Use of our report

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

[Signature]

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

Birmingham

September 2021

# D. Audit opinion

Our audit opinion on consistency of pension fund accounts in the Council's financial statements is included below. We anticipate we will provide the Pension Fund with an unmodified audit report

## Independent auditor's report to the members of Shropshire Council on the consistency of the pension fund financial statements of Shropshire County Pension Fund included in the Pension Fund Annual Report

### Opinion

The pension fund financial statements of Shropshire County Pension Fund (the 'pension fund') administered by Shropshire Council (the "Authority") for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2021 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements, in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 and applicable law.

### Pension Fund Annual Report – Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

### The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated

## Executive Director of Resources' responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Executive Director of Resources of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 20120/21.

### Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

Birmingham

