

Report Title:	Deloitte ISA 260 Final Report for 2019-20 audit and Planning Report for 2020-21 Audit
Contains Confidential or Exempt Information	No - Part 1
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 14 June 2021
Responsible Officer(s):	Andrew Vallance, Head of Finance and Deputy Section 151 Officer
Wards affected:	None

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REPORT SUMMARY

This report presents to Members an update on the progress of the 2019-20 Pension Fund audit and a planning report for the 2020-21 Fund audit.

Deloitte's ISA260 paper as presented to the Audit and Governance Committee on 17 May 2021 can be found at Appendix 1. An action progress matrix can be found at Appendix 2. The planning report for the 2020-21 audit can be found at Appendix 3.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee:

- i) **Notes the report**
- ii) **The external auditor's final ISA260 report at Appendix 1**
- iii) **The action progress matrix at Appendix 2**
- iv) **The planning report for the 2020-21 audit at Appendix 3.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 The Royal Borough of Windsor & Maidenhead (RBWM) is the administering authority for the Royal County of Berkshire Pension Fund (RCBPF).

3. KEY IMPLICATIONS

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of Delivery
Date when accounts are published, the audit opinion and the number of	Published later than 30 Sept' or receive a qualified opinion or > 5	Published on or before 30 September With an unqualified opinion	Published on or before 30 September with an unqualified opinion	n/a	30 September 2020

changes required by auditors	material changes	and 1-4 material changes.	and no changes.		
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4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 The accounts and ISA260 were presented to the Audit and Governance Committee on 17th May 2021.
- 4.2 The final ISA260 report is attached as Appendix 1.

5. LEGAL IMPLICATIONS

- 5.1 In producing, reviewing, auditing and approving the accounts the Council is meeting its legal obligations

6. RISK MANAGEMENT

- 6.1 Table 1: Risk Analysis

Risks	Uncontrolled Risk	Controls	Controlled Risk
Possibility of qualified vfm statement	Medium	Update for issues arising during audit	Low

7. POTENTIAL IMPACTS

- 7.1 Equalities: Equality Impact Assessments are published on the [council's website](#) . N/A
- 7.2 Climate change/sustainability: N/A
- 7.3 Data Protection/GDPR. N/A

8. CONSULTATION

- 8.1 N/A

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 Ongoing.

10. APPENDICES

- 10.1 This report is supported by 1 appendix:
- Appendix 1 – Deloitte final ISA260 report

- Appendix 2 – Action progress matrix
- Appendix 3 – Deloitte planning report for the 2020-21 audit

11. BACKGROUND DOCUMENTS

11.1 This report is supported by 0 background documents:

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
Adele Taylor	Director of Resources and Section 151 Officer		
Ian Coleman	Interim Pension Fund Manager		

REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Andrew Vallance, Head of Finance and Deputy s151 Officer



Royal County of Berkshire Pension Fund

Final report to the Audit & Governance Committee for the year ended 31 March 2020

Issued on 11 May 2021 for the meeting on the 17 May 2021

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

We have pleasure in presenting our final report to the Audit & Governance Committee of Royal Borough of Windsor & Maidenhead (the "Committee") for the 2019/20 audit of the Royal County of Berkshire Pension Fund (the "Fund"). The scope of our audit was set out within our planning report presented to the Corporate Oversight & Scrutiny Panel in May 2020.

Status of the audit – Pension Fund

At the date of issue of this report, our audit of the pension Fund for the year ended 31 March 2020 is nearing completion. We have set out on page 4 the procedures that are in progress. Responses have been provided for all IAS 19 requests from auditors of other Fund employers, including two late requests for 2018/19 for Reading Borough Council and Slough Borough Council. Following the conclusion of some of the issues outstanding at the date of our previous report, and at the request of these auditors, we are in the process of reissuing letters in respect of the 2019/20 requests.

Significant changes have been made to the audit timetable we presented in our planning report as a result of delays experienced in receiving information from the Fund and its third party service organisations across many key areas of testing. Some of the delays were the result of the COVID-19 pandemic. Where delays were due to weaknesses in governance or controls, we have included our comments on this within the control observations and other findings section of the report.

The investment manager, Local Pensions Partnership ("LPP"), has found it difficult to obtain and provide some of the requested information for our testing of the alternative investment funds. This included audited financial statements of the funds, without which it was not possible for us to conclude on our testing. We have now received all the information we require in respect of the alternative investments.

On investigation, the alternative investment portfolio was materially overstated in the draft financial statements by £31.5m. This was due to the use of stale valuations that had not been adjusted to reflect the negative performance experienced by many funds during the first quarter of 2020 as a result of COVID-19. This is the second year we have performed the audit of the Fund and we have identified material misstatements in both years (£74.5m overstatement in 2018/19). We therefore draw your attention to the high priority recommendations on pages 8 to 13.

Following the receipt of the draft financial statements for the Fund as at 31 March 2020, we revised our materiality from £14.5m to £20.3m. The initial materiality calculation had been based on an estimate that net assets would be 70% of what they were at 31 March 2019, as an estimate of the potential effect of COVID-19 on investment values. In contrast, the draft reporting for 2019/20 showed a much higher net asset balance than predicted. Our reporting threshold has also been updated from £0.3m to £1.02m, which is in line with our revised materiality.

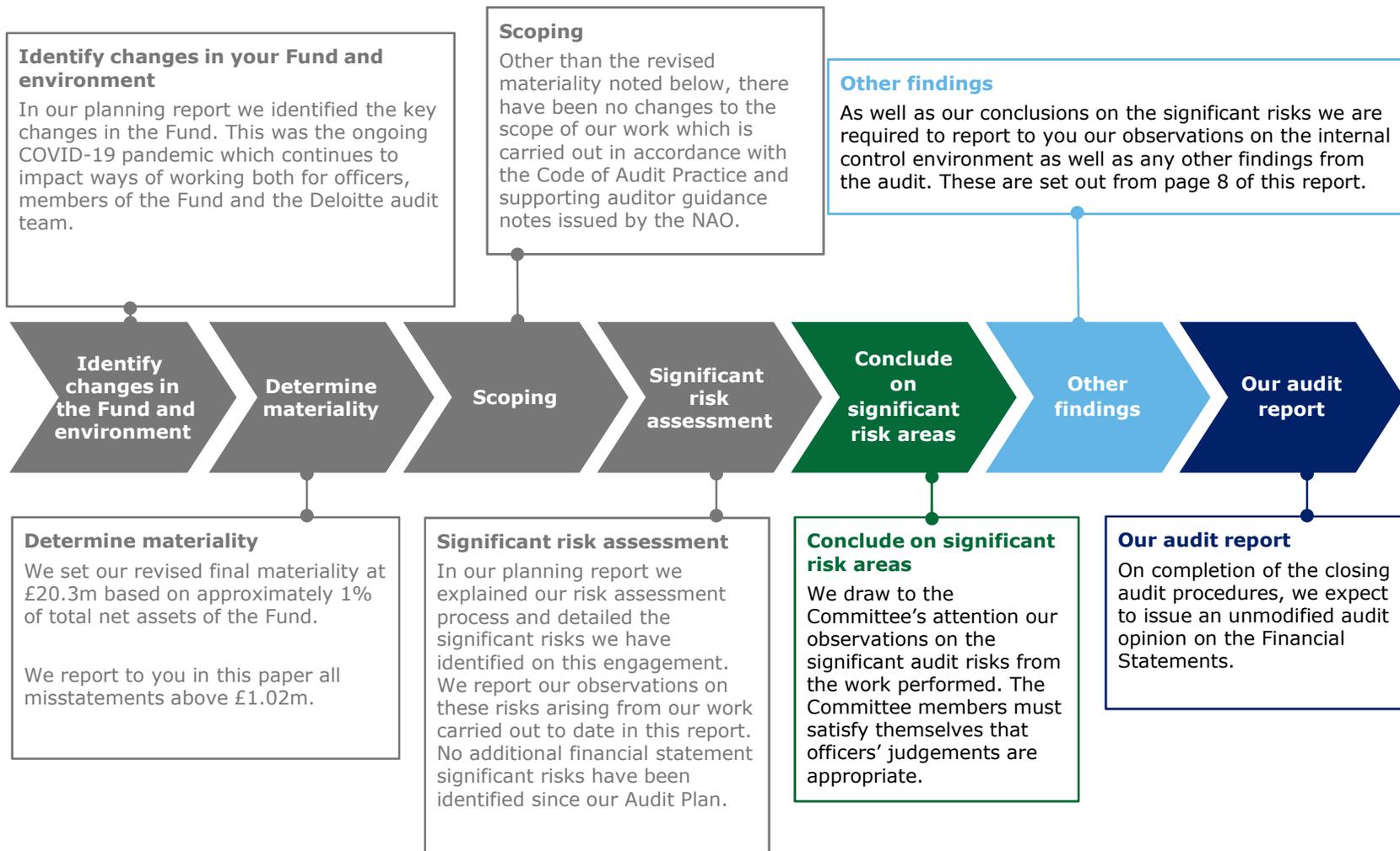
Introduction

The key messages in this report (continued)

Conclusions from our testing	<p>We have set out a summary of misstatements and disclosure deficiencies identified on pages 19 and 20 of this report. The main adjusted misstatement relates to the overstatement of alternative investments as noted above. The corrected disclosure misstatements relate to an undisclosed material uncertainty of property fund valuations and an undisclosed related party transaction of an overnight loan of £1.2m made by the Fund to the Royal Borough of Windsor and Maidenhead (“the Authority”). There is an uncorrected disclosure misstatement relating to the absence of an adjustment to the IAS 26 disclosure to account for the expected impact of the Goodwin case on the Fund’s future liabilities.</p> <p>We note that following consideration of the permissibility of the overnight loan and the associated control weakness, the Fund has reported the issue to the Pensions Regulator. More details are provided on page 11.</p>
Audit procedures outstanding	<p>The following audit procedures are ongoing at the time that this report was released:</p> <ul style="list-style-type: none">• Receipt of evidence of one bank payment authorisation;• Finalisation of our internal quality review procedures;• Update of our subsequent events procedures; and• Receipt of the signed representation letter.
Management representations	<p>We will obtain written representations from the Section 151 Officer on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the representation letter has been issued ahead of signing the financial statements.</p>
Audit fee	<p>As explained in our 2019/20 fee letter, our audit fee is based on assumptions about the scope and required time to complete our work. For the reasons set out above, our audit was not concluded by the original 31 July deadline, or the extended 30 November deadline, and it has required substantial further input. The audit has also required additional procedures in response to COVID-19. We continue to discuss the impact on the audit fee with the Authority and Public Sector Audit Appointments (“PSAA”). The final fee amount will be communicated to the Committee.</p>

Our audit explained

We tailor our audit to your organisation



Significant risks

Management override of controls

Risk identified

In accordance with ISA 240 (UK) management override of controls is always a significant risk. This risk area includes the potential for officers to use their judgement to influence the financial statements as well as the potential to override the Fund's controls for specific transactions.

Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that the Fund's draft financial statements were overstated by approximately £31.5m due to the inclusion of 55 alternative investment funds at values that had not taken account of the impact of COVID-19 on performance.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Significant and unusual transactions

We note that the Fund made an overnight loan to the Authority on the 27 June 2019 of £1.2m. We have seen no evidence that the loan was authorised by the Fund. A control weakness has been noted on page 11 and the matter has been reported to the Pensions Regulator. We have not identified any other significant transactions outside the normal course of business nor any transactions where the business rationale was not clear in the current year.

Journals

We have performed design and implementation testing of the controls in place for journal approval. We also performed an assessment of the mandates in place for the transactions with the custodian and with the Fund's bank account.

We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest. This included consideration of related party transactions.

We have tested the appropriateness of a sample of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting, including making enquiries of individuals involved in the financial reporting process.

Accounting estimates

We have performed a review of the accounting estimates.

The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest.

We have reviewed the draft financial statements' accounting estimates for biases that could result in material misstatements due to fraud.

We also considered the impact of COVID-19 on the level of risk associated with potential frauds and adjusted our procedures accordingly.

We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources. The findings from our work on the longevity swap valuation are included on page 7 of this report.

Issues identified

- We have identified control deficiencies, set out on pages 8 to 13;
- Other than the undisclosed loan noted above, we have not identified any significant bias in the key judgements made by officers based on work performed; and
- We have not identified instances of management override of controls in the current year in our work to date.

Significant risks (continued)

Valuation of the longevity hedge

Risk identified

The Fund holds a material longevity insurance policy to hedge longevity risk. A longevity hedge is designed to insure the Fund against the risk that pensioners live longer than the current mortality assumptions. Valuation of longevity hedges are sensitive to relatively small movements in the key assumptions used in the actuarial calculations. The setting of these assumptions involves judgement. The longevity hedge was valued as a liability of £103.8m in the 2018/19 Statement of Accounts and £121.8m in the 2019/20 Statement of Accounts presented for audit and is therefore quantitatively material. As a result of this we consider the valuation of the longevity hedge to be a significant risk.

Key judgements and our challenge of them Deloitte response

The Fund's practice is to obtain a valuation from the Fund's actuary as at each year end. The actuary also reviews the assumptions relating to the overall Fund's liability on a triennial basis. The most recent triennial valuation was completed as at 31 March 2019.

During the audit the balance was revised by £2.08m (initial draft liability was £123.9m) due to the actuary issuing an updated report.

Key judgements include:

- The discount rates used in discounting the estimated cash flows associated with the instrument; and
- The mortality improvement assumptions.

We have:

- Performed an assessment of the actuarial expert in respect of their knowledge and experience in this area;
- Identified an absence of the review control that we recommended in our 2018/19 audit report with respect to the valuation of the longevity swap;
- Tested the design and implementation of the valuation review control in place at the actuary;
- Obtained a valuation report directly from the actuary and reconciled this to the financial statements disclosure;
- Reviewed the underlying documentation for the policy, including the population covered, the assumptions and other key inputs used in the calculation, and the agreed cash flows;
- Engaged in-house actuarial specialists to challenge and assess the reasonableness of the valuation of the policy based on the underlying terms of the contract and the forecast cash flows; and
- Compared our expectation of the value with that reported by the actuary, investigating any differences identified that are outside the range of results that we consider to be reasonable.

Deloitte view

Following review by our internal specialists we conclude that the assumptions used are in line with the market and that the value included in the financial statements is within an acceptable range based on the present value of the cash flows provided.

It is recommended that the actuary:

- monitors the mortality experience of the swap and tests the ongoing appropriateness of assuming the base mortality is in line with the pension Fund assumptions.
- continues to perform an Analysis of Change which will provide an additional layer of control on the results.
- challenges the premium schedule inputs from ReAssure (counterparty) should they change unexpectedly as this will provide an additional layer of control on the results.

We have identified a **control weakness** in this area and made recommendations for management to consider when valuing the longevity hedge in future. Our recommendations have been summarised from page 8.

Control observations

During the course of our audit we have identified internal control findings which we have included below for information.

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit to date and that we have concluded are of sufficient importance to merit being reported to you. We will report to you any other significant deficiencies we identify during the conclusion of our audit work in our final audit report.

Area	Observation
Valuation of the longevity swap	<p>In our final report on the 2018/19 audit, we recommended that the Authority ensures that the valuations provided by the actuary are reviewed and that the assumptions are challenged, understood, and agreed before inclusion of the valuation in the financial statements. Discussions with officers of the Fund during the 2019/20 audit revealed that, while the longevity swap valuation had been discussed with Barnett Waddingham, there was no formal control design documented and no recorded evidence of implementation of the control. We have been informed that the discussion with Barnett Waddingham took place after inclusion of the valuation in the financial statements.</p> <p>This is a significant control weakness and we recommend that the Authority ensures that the valuations provided by the actuary are reviewed and that the assumptions are challenged, understood, and agreed before inclusion of the valuation in the financial statements. We recommend that evidence of this review and assessment is clearly documented.</p>
Valuation of the convertible bond	<p>In our final report on the 2018/19 audit, we recommended that the Authority ensures that the valuation of all bespoke investments is understood by the investment manager and that controls are designed and implemented to ensure an appropriate challenge is made of valuations received from any service organisation. In the current year the fair value of the bond included in the draft financial statements was very close to the final value in the 31 March 2019 financial statements. The value presented in the draft financial statements was £2.3m (2018/19: £2.2m), but given the complexity involved in valuing this instrument, we made enquiries of the Fund to ensure that there was an evidence-based rationale for this value. On investigation it was noted that there was no formal support for the decision to leave the value unchanged in the draft financial statements and no evidenced-based rationale had been prepared. Following discussions with management, a paper was provided by the investment manager to support the valuation decision.</p> <p>We recommend that the Committee ensures that the valuation of all bespoke investments is understood by the investment manager before completion of the draft financial statements, and that controls are implemented to ensure an appropriate challenge is made of valuations received from any service organisation. We recommend that evidence of this review and assessment is clearly documented.</p>

Control observations (continued)

Area	Observation
Valuation of the private equity portfolio and other alternative funds	<p>In our final report on the 2018/19 audit, we recommended that the Authority review the terms and conditions of its relationship with all investment service providers and seek assurance that controls are in place to ensure that the most recent audited financial statements of each investment fund, along with the regular capital valuation statements and any evidence of any capital transactions are received and regularly reviewed in a timely fashion. Our standard testing approach for alternative investment funds includes obtaining the most recent audited financial statements of the investment fund along with information about capital committed and any capital transactions that occurred since the date of the audited financial statements. Obtaining the specific information we require and receiving this in a timely manner has continued to be difficult during the current year audit and we have experienced delays. This had a direct impact on the progress of this testing. It also continues to indicate the absence of robust controls around the management of these funds. We are aware that the Fund has taken steps to better understand the processes, controls and responsibilities of the investment service providers and that consideration is being given to how best to address this finding.</p>
	<p>Testing in the 2019/20 year audit revealed that the alternative funds were overstated in the draft financial statements by approximately £31.5m. This error was adjusted in the final financial statements. In discovering and resolving this misstatement it was noted that there was no process or control in place to determine the valuation of stale price funds as at the year end, or to update the financial statements if new information came to light before they were signed.</p> <p>These matters represent significant control weaknesses. We recommend that the Fund continues to review the terms and conditions of its relationship with all investment service providers and takes steps to ensure that controls are in place such that the most recent audited financial statements of each fund, along with the regular capital valuation statements and any evidence of any capital transactions are received and regularly reviewed in a timely fashion. We recommend that the Fund also ensures that controls within the financial reporting process are implemented such that the best estimate of the fair value of investments is used in the draft financial statements and that material changes to the investment balances that come to light before signing are reflected in the financial statements. Where the Fund does not have the appropriate resource within its staff, it should provide clear instructions to LPP or the custodian to perform the processes and controls required.</p>
Retrospective review of investment decision making	<p>In our final report on the 2018/19 audit we also recommended that the Fund perform a review of the arrangements around pension asset investment decision making, monitoring and reporting of the valuation of those investments. This was to include an historic review of the arrangements with respect to the specific assets that were adjusted significantly to identify the lessons that can be learned and to embed this learning into the new arrangements. The outcome from these reviews was to be reported to both the Corporate Oversight & Scrutiny Committee and the pension Fund Panel. We note that the scope of the work did include these considerations and that the final report was provided to the Authority in July 2020.</p>

Control observations (continued)

Area	Observation
Review of financial statements	<p>The design of the control for review of the financial statements did not include checking the draft statements to the underlying workings. We also noted that for the 2019/20 financial statements there was no evidence of a formal review and, at the time of testing this control, there was a lack of awareness of any review process. Furthermore, there was no evidence that the CIPFA checklist had been used in the accounts preparation process, or in any review that may have taken place. This weakness in control increases the likelihood of misstatements in the financial statements.</p> <p>We recommend that the design of the financial statement review control is amended to include checking to underlying working papers, the completion of a full CIPFA checklist, and is communicated clearly to all those involved in the preparation and review process. The implementation of the control should be evidenced appropriately and this evidence should be retained for a sufficient period.</p>
Review of journals	<p>The design of the control for review of journal postings does not include a formal description of the review process. There was no clear evidence available that a review took place over journal postings for a month selected. We also noted that some of the monthly investment posting updates did not occur within a reasonable timeframe. Furthermore, during journal testing it was noted that there were multiple errors in original journal postings that had to be adjusted in subsequent journal entries. This suggests that any control implemented over journal review was deficient.</p> <p>Given that management override of controls is a significant risk of material misstatement and that we use journals testing to detect fraud and error, it is critical that this control weakness is addressed. We recommend that the design of the journal posting review control is amended to include a well defined scope, for example a checklist. We also recommend that it is communicated clearly to all those involved in the preparation and review process, and takes place in a timely manner before journals are posted to the accounting system. The implementation of the control should be evidenced appropriately and this evidence should be retained for a sufficient period.</p>
Administration system editing rights	<p>From the work performed on controls around member data, we noted that the system super-users have the access rights to edit their own member records and those of each other. Whilst any editing of the system can be reviewed in a system audit report, there is no formal regular review of this editing activity and no evidence was available of any other mitigating controls. On review of the system audit report for a two year period ended 31 March 2020, it was noted that both super-users had edited either their own or the other super-user's records. We performed additional procedures to determine if any of this activity had resulted in an alteration to the records that was inconsistent with the 2018/19 information submitted to the actuary. Nothing other than minor updates were noted.</p> <p>We recommend that the IT system is updated to prevent super-users from editing their own records, that any editing of each other's records is checked by a third person, and that an annual review of the system audit report is conducted to ensure that this control is being implemented and evidenced.</p>

Control observations (continued)

Area	Observation
No evidence of authorisation for overnight loan prior to payment	<p>As noted on page 6, the Fund made an overnight loan to the Authority on the 27 June 2019 of £1.2m. The amount was returned to the Fund in full on the 28 June 2019. Officers of the Fund have made it clear that they were aware of and approved the transaction at the time. However, there was no evidence available to demonstrate that the Fund authorised this transaction in advance of the payment to the Authority, nor was there a formal record of the business rationale from the perspective of the Fund for such a transaction. We have not noted any other similar transactions during the 2019/20 year.</p>
	<p>We also consider this transaction to be qualitatively material and therefore should be disclosed as a related party transaction in the notes to the Financial Statements of the Fund. This disclosure was not present in the initial draft, but has now been added following our audit recommendation.</p>
	<p>We recommend that the Fund implements a control to record and review the rationale for all transactions outside the normal course of business, including consideration of any relevant laws, regulations and conflicts of interest. We also recommend that sufficient appropriate evidence is retained, demonstrating that the control has operated for all such transactions.</p>
Separation of the Fund from the Authority	<p>We consider that the lack of control over cash leaving the Fund is an indication of poor governance and is therefore a red breach which should be reported to the Pensions Regulator. The Fund has informed the Regulator. We recommend that the Fund does not enter into similar transactions in the future, at least not without appropriate consideration by those charged with governance.</p>
	<p>In reconciling the journal activity for the year, it was noted that some journal postings included activity for both the Fund's financial statements and those of the Authority. On reviewing the journal population as a whole for both the Fund and the Authority we concluded that the population was complete for the year ended 31 March 2020. We also noted that some payments made to the Authority by the Fund for costs incurred on behalf of the Fund, were not formally invoiced by the Authority and that there was no evidence of formal authorisation available for these transactions.</p> <p>We recommend that the general ledgers of both entities are maintained in isolation. We also recommend that formal documentation is prepared by the Authority to request payments from the Fund, and that this is reviewed by the Fund before payments are made. Furthermore, sufficient appropriate evidence should be retained demonstrating that the control has operated for all such transactions.</p>

Control observations (continued)

Area	Observation
Benefit calculations	<p>There were issues noted with the control environment for benefit calculations, and updating records for member deaths.</p> <p>There is no evidence of what has been checked by the reviewer of benefit calculations e.g. a checklist or printout of the calculation and its inputs with tickmarks. Instead the reviewer confirms they have checked the inputs of the calculation on the administration system. While the reviewer will have much experience of the process and what to check, this is not documented and there is no formal process to ensure every figure has been checked, or if there are other matters to consider.</p> <p>No periodic review of the benefits system calculation is in place. We note that large pension schemes typically have a process in place whereby administrators regularly review the system calculation, or the actuary periodically reviews and tests the system calculation, to ensure it is calculating members' benefits accurately in line with the scheme's rules.</p> <p>For the audit year 2019/20, the control over updates to the pensioner member records on death was not implemented correctly in the year due to the absence of the administration team member who processes these updates. The person was absent due to illness from November 2019 to January 2020. The screening process was restarted after this.</p> <p>We recommend that a formal record is retained of the points checked by the reviewer of benefit calculations, that a periodic review of the calculations produced by the benefits system is scheduled and carried out by a suitably qualified person and that contingencies are put in place to ensure benefits controls continue to operate in the event of personnel absences.</p>

Control observations (continued)

Area	Observation
Monthly investments update review delayed	<p>During the year to the 31 March 2020, there were occasions that the implementation of the review control over the monthly investments update did not occur within a reasonable timeframe. The update of the monthly investments reconciliation for January 2020 was not performed until May 2020, which is 4 months after the month in which it relates. This delay in ensuring the investments' accounting records are up to date could result in management decisions and reporting being based on out of date information. We acknowledge that the Fund was seeking to appoint a replacement accountant during that part of 2020. A finding relating to continuity planning has been included on the next page.</p> <p>We recommend that the accounting records are updated on a timely basis to ensure management information is sufficiently up to date to correctly inform decision making.</p>
IT control – Altair audit trail of changes	<p>Part of the work of our IT specialists included a review of aspects of the Altair audit trail of changes. It was noted that the filtering on the 'End Date/Time' for the report does not ensure all changes for each month are extracted as 2 minutes from each month are missed. The Audit Trail Of Changes can be extracted for each month to show all the changes made to the Altair system. Whilst we acknowledge that 2 minutes per month is a very small portion not covered, onscreen inspection showed that the report produced for the audit was not filtered to include all changes in the report extraction as 2 minutes of each month were missed due to insufficient filtering of the 'End Date/Time' parameter. We performed additional procedures to gain comfort over the Altair editing by super-users as noted on page 10 and did not detect any unusual changes to the records.</p> <p>We recommend that the annual review of the Altair audit trail include ensuring that completeness of the reports generated for review.</p>
Administration system – segregation of duties controls	<p>As part of our review of controls around the retirement benefits system it was noted that the system did not prevent individuals signing off their own work as reviewed. We did not find any evidence that an individual has prepared work and signed it off as reviewed, but the possibility exists within the current system.</p> <p>We recommend that controls are implemented within the system to ensure that work prepared must be sent to someone with review responsibilities.</p>

Other Findings

During the course of our audit we have identified findings which we have included below for information.

The purpose of the audit was for us to express an opinion on the financial statements. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you. We will report to you any other significant findings we identify during the conclusion of our audit work in our final audit report.

Area	Observation
Lack of continuity plans in relation to absence of key individuals	We have noted during our audit that the departure in early 2020 of the Fund accountant has led to delays in providing a number of elements of documentation. This may also have contributed to the failure of some financial statement controls as noted above. The impact of the departure may have been more significant if not for the assistance provided by the outgoing accountant, months after he had left his post. We note that accounting is not the only area of the Fund’s operations that could be susceptible to changes in key personnel. Therefore we recommend that continuity plans be developed for all key roles within the Fund’s operations.
Internal audit and monitoring of controls	It was noted that there was no formal internal audit review of the controls of the Fund for the year to 31 March 2020. In place of a review by internal audit, the Fund performed an overall governance review, including a pensions governance report commissioned by the Authority. However, given the number of control deficiencies noted above, we recommend that the internal audit function of the Authority is engaged annually to assess the operation of controls at the Fund.
Compliance with LGPS regulations and the regulator	Within the administration strategy document, it is noted that there should be clear procedures laid out in relation to confirming compliance with LGPS regulations and the regulator. No evidence was available to demonstrate that formal procedures exist. We recommend that procedures are developed in response to the requirements, and which ensure that the Fund meets its statutory obligations and regulatory requirements.

Other Findings (continued)

Area	Observation
<p>Approach to the pension liability disclosure</p>	<p>Our actuarial specialists reviewed aspects of the IAS 26 disclosure of the Fund’s future liabilities. Following a case involving the Teachers’ Pension scheme, known as the Goodwin case, differences between survivor benefits payable to members with same-sex or opposite-sex survivors have been identified within a number of public sector pension schemes. As a result, the Government have confirmed that a remedy is required in all affected public sector pension schemes, which includes the LGPS. It was noted that no allowance has been made by the Fund actuary in the liability valuation for the Goodwin case. Our actuarial specialists confirmed that this assumption is not reasonable and there is an estimated cost of approximately £8m (0.2% of the liability). This has been included within this report as an unadjusted misstatement.</p> <p>Furthermore it was noted that the approach taken by the Fund actuary towards member data cleansing and checks was not in line with best practice.</p> <p>We recommend that the Fund takes steps to ensure that all non-trivial adjustments to the liability are included at each valuation and that it satisfies itself that appropriate procedures are in place at the actuary to cleanse and check the member data used in each valuation.</p>
<p>IAS 19 cash flows incomplete</p>	<p>In performing procedures relating to our response to IAS 19 letter requests from the auditors of scheduled bodies, we noted that the cash flow information provided to the actuary for the year to 31 March 2020 was incomplete. The report produced on the 2 June 2020 indicated that it covered all 12 months of the year and the actuary had used it as the basis for the cash flow elements of the IAS 26 and IAS 19 disclosures. However on inspection it was clear that some contributions cash flows had not been included of approximately £8.5m, and the March 2020 pensions payroll and the bulk transfer out were missing from the benefits cash flows. These differences have been reported to the auditors of the scheduled bodies who requested an IAS 19 response.</p> <p>We also noted as part of the IAS 19 work that there was an absence of a formal review control associated with the provision of information to the actuary. We have been informed some aspects of the information upload were reviewed, but there was no formal review process or record of the informal review.</p> <p>We recommend that the cash flow reporting is reviewed carefully and checked for reasonableness against expectations before it is provided to the actuary.</p>
<p>Lack of procedures to detect subsequent events</p>	<p>Following enquiry we were informed by the Fund that there are no formal procedures in place to detect and deal with subsequent events. Material subsequent events should be disclosed in the notes to the financial statements and therefore we recommend that a process is implemented to consider this up to the date of signing of the financial statements.</p>

Other Findings (continued)

Area	Observation
Maintenance of records	<p>As part of our testing of the bulk transfer out we noted that no detailed member by member calculation was available to support the total valuation presented by the actuary for the bulk transfer, and no official confirmation communications from the receiving scheme were available.</p> <p>We also noted that lump sums can be paid as part of the pensioner payroll. Furthermore, due to the way in which lump sums are recorded on the accounting ledgers, the Fund was unable to provide a definitive list of payees for some of the accounting entries sampled as part of our testing.</p> <p>It is important that the Fund ensures that adequate records are created and retained to evidence the rationale for all payments leaving the Fund.</p>
Bank and custodian mandates	<p>We examined the mandates provided for the bank account and for investment/disinvestment transactions with the custodian. On review of the list of names on the mandates it was noted that they included personnel within RBWM who were not officers of the Fund. We also noted that they included the names of personnel who were no longer employed by RBWM.</p> <p>We recommend that all mandates are reviewed and updated accordingly to ensure they are complete and contain only relevant personnel. We also recommend that they are updated on an annual basis, or as soon as signatories leave office.</p>

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit & Governance Committee and the Fund discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Fund.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by officers or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

This report has been prepared for the Audit and Governance Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

We welcome the opportunity to discuss our report with you and receive your feedback.



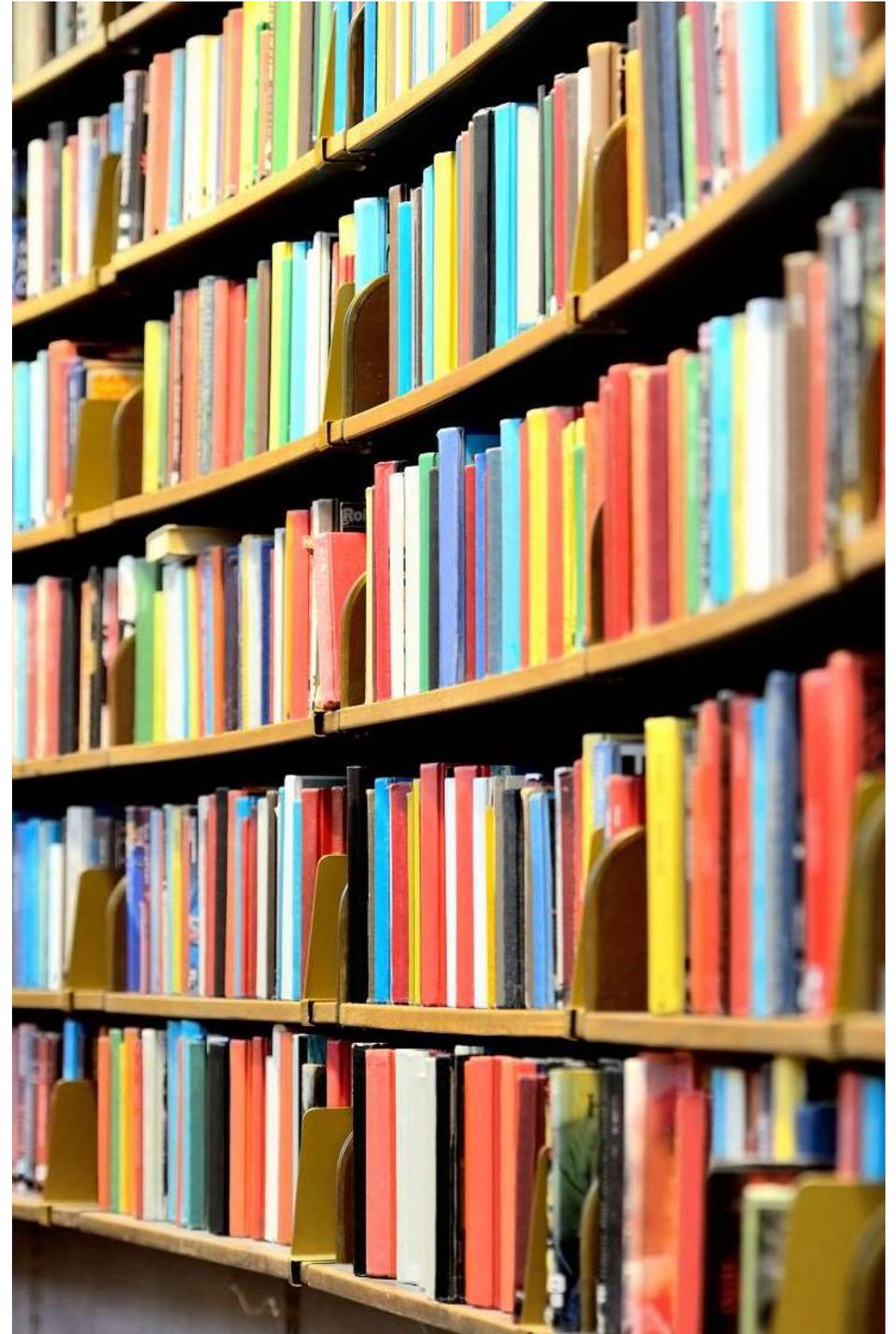
Jonathan Gooding

for and on behalf of Deloitte LLP

St Albans

11 May 2021

Appendices



Audit adjustments

Uncorrected misstatements

No adjustment has been made to the IAS 26 disclosure of the Fund's liability in light of the Goodwin case. We estimate the value of the disclosure misstatement to be approximately £8m (0.2% of the total liability).

There are no other misstatements that have been identified up to the date of this report which have not been corrected by officers of the Fund.

Corrected misstatements

The following misstatements have been identified which have been corrected by officers. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/ (credit) Fund account £m	Debit/ (credit) in Net asset statement £m	If applicable, control deficiency identified
Misstatements identified in current year				
Overstatement of investments from stale priced alternative funds	[1]	(31.5)	31.5	Yes
Overstatement of longevity swap liability	[2]	2.1	(2.1)	No
Total		(29.4)	29.4	
Misstatements identified in prior years – see prior year ISA 260 for details				
Revaluation of longevity swap		40.3	(40.3)	Yes
Revaluation of convertible bond		34.2	(34.2)	Yes
Total		74.5	(74.5)	

(1) 55 alternative funds had been included within the draft financial statements at stale prices, unadjusted for market movements up to the year end. Valuations received during the audit showed that these funds had decreased in value in aggregate by a material amount.

(2) During the audit, the actuary updated the longevity swap valuation.

Audit adjustments (continued)

Disclosures

Disclosure misstatements

The following disclosure misstatements have been identified which officers have corrected.

Disclosure

Material uncertainty of property fund valuations

In our planning report dated the 21 May 2020, we identified that property valuers had experienced difficulties in assessing the market value of properties as at the 31 March 2020 due to the restrictions in force as a response to COVID-19. This was an industry wide issue and, following guidance issued by the Royal Institute for Chartered Surveyors, it was expected that all valuers will report a material uncertainty over the value of property assets held at 31 March 2020 as a result of Covid-19 factors. In response to the valuation uncertainties, many property funds were gated as at 31 March 2020. Our plan included assessing the extent to which this issue affected the Fund.

As part of the audit we received more information about the material property funds. We consulted with our Deloitte Real Estate Specialists, including consideration of the type and nature of the properties held. On review of the evidence received it was concluded that a material uncertainty did exist over the valuation of the Fund's property funds as at 31 March 2020. Given the value of the property funds included within the Fund's financial statements (approximately £292m), the presence of a material uncertainty over these valuations should be disclosed in the financial statements. This disclosure was absent from the draft financial statements, but has now been added in response to this audit finding.

Related party transaction

As noted within our controls findings on page 11, the Fund made an overnight loan to the Authority of £1.2m on 27 June 2019. We are considering the permissibility under the relevant regulations of the overnight loan made by the Fund to the Authority, but we consider this transaction to be qualitatively material and requiring disclosure as a related party transaction. This disclosure was absent from the draft financial statements, but has now been added in response to this audit finding.

Critical judgements and estimates

On review of the critical judgements and estimates disclosed in notes 4 and 5 of the financial statements we noted that the disclosures were not in line with the applicable International Financial Report Standards. Both notes 4 and 5 required significant changes to the wording during the audit as a result of the issues we identified. The changes have been made in full.

Concentration of investments

Note 14 to the financial statements includes disclosure of investment instruments that are greater in value than 5% of the Fund's net assets. The draft accounts did not include the longevity swap within this list. The swap was in a liability position with a magnitude of approximately 6.1% of the Fund's net assets as at the 31 March 2020. The longevity swap has now been included within the disclosure appropriately.

Fraud responsibilities and representations

Responsibilities explained



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with officers and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked the Fund to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Fund.

We have also asked the Fund to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified valuation of the longevity hedge, valuation of the convertible bond and management override of controls as key audit risks for the Fund.

During course of our audit, we have had discussions with officers and those charged with governance.

In addition, we have reviewed officers' own documented procedures regarding fraud and error in the financial statements.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Fund.
Audit fees	<p>The scale fee for the 2019/20 audit of the Pension Fund was £19k. This is the same scale fee as the 2018/19 audit. Our audit fee is based on assumptions about the scope and required time to complete our work.</p> <p>As noted earlier in this report, our audit was not concluded by the original 31 July deadline and it has required substantial further input. We continue to discuss the impact on the audit fee with the authority and Public Sector Audit Appointments ("PSAA"). The final fee amount will be communicated to the Committee once agreed.</p>
Non-audit fees	There were audit related services carried out regarding the issuance of assurance letters to the auditors of participating employers. The fees for this work are being considered as part of the discussions around the main audit fee. There are no other non-audit fees.
Independence monitoring	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Fund, its members, officers and affiliates. We have not supplied any services to other known connected parties.
Ethical Standard 2019	The FRC has released the Ethical Standard 2019. The standard classes pension schemes as 'other entities of public interest' where assets are greater than £1bn and there are more than 10,000 members. As a result, non audit services will be limited primarily to reporting accountant work, audit related and other regulatory and assurance services. All other advisory services to these entities, their UK parents and world-wide subs will be prohibited.



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Appendix E: Action Plan for issues identified on the ISA260 for RCBPF 2019/20 Statement of Accounts

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
	CONTROL OBSERVATIONS					
1.	Valuation of the longevity swap:	This is a significant control weakness and we recommend that the Authority ensures that the valuations provided by the actuary are reviewed and that the assumptions are challenged, understood, and agreed before inclusion of the valuation in the financial statements. We recommend that evidence of this review and assessment is clearly documented.	An independent actuarial valuation of the longevity swap to be obtained each year. The method of conducting this valuation will be discussed and agreed with the actuary in advance of the valuation.	Ongoing	Head of Pension Fund	Will show as a control observation in the 2020/21 ISA260 report.
2.	Valuation of the convertible bond	We recommend that the Committee ensures that the valuation of all bespoke investments is understood by the investment manager before completion of the draft financial statements, and that controls are implemented to ensure an appropriate challenge is made of valuations received from any service organisation. We recommend that evidence of	The convertible bond converted to an equity investment during 2020/21. Historic bespoke investments will remain until such time as it becomes viable for them to be terminated. LPPI as investment manager monitors this closely.	Ongoing	Head of Pension Fund	The issue of the convertible will not arise again although until such time as the legacy assets have been pooled issues surrounding so-called bespoke investments may recur.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
		this review and assessment is clearly documented.				
3.	Valuation of the private equity portfolio and other alternative funds	We recommend that the Fund continues to review the terms and conditions of its relationship with all investment service providers and takes steps to ensure that controls are in place such that the most recent audited financial statements of each fund, along with the regular capital valuation statements and any evidence of any capital transactions are received and regularly reviewed in a timely fashion. We recommend that the Fund also ensures that controls within the financial reporting process are implemented such that the best estimate of the fair value of investments is used in the draft financial statements and that material changes to the investment balances that come to light before signing are reflected in the financial statements. Where the Fund does not have the appropriate resource within	LPPI, as the investment manager for the Fund, maintains an ongoing relationship with all of the individual investment managers. The latest available valuations are included in the pension fund accounts. Problems arose with the preparation of the accounts during 2020/21 due to the impact of the covid pandemic resulting in a sudden fall in asset valuations at the end of March 2020. This situation is not expected to recur.	31 May 2021	Head of Pension Fund	Not applicable.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
		its staff, it should provide clear instructions to LPP or the custodian to perform the processes and controls required.				
4.	Retrospective review of investment decision making	In our final report on the 2019 audit we also recommended that the Fund perform a review of the arrangements around pension asset investment decision making, monitoring and reporting of the valuation of those investments. This was to include an historic review of the arrangements with respect to the specific assets that were adjusted significantly to identify the lessons that can be learned and to embed this learning into the new arrangements. The outcome from these reviews was to be reported to both the Corporate Oversight & Scrutiny Panel and the Pension Fund Panel. We note that the scope of the work did include these considerations and that the final report was provided to the Authority in July 2020.	The governance of the Pension Fund was restructured in October 2020. All decisions are the responsibility of the Pension Fund Committee. If an urgent decision is required then responsibility is delegated to the Executive Director of Resources.	31 May 2021	Head of Pension Fund	Not applicable.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
5.	Review of financial statements	We recommend that the design of the financial statement review control is amended to include checking to underlying working papers, the completion of a full CIPFA checklist, and is communicated clearly to all those involved in the preparation and review process. The implementation of the control should be evidenced appropriately and this evidence should be retained for a sufficient period.	Financial statements are now completed in line with the CIPFA checklist.	31 May 2021	Head of Pension Fund	Not applicable.
6.	Review of journals	We recommend that the design of the journal posting review control is amended to include a well-defined scope, for example a checklist. We also recommend that it is communicated clearly to all those involved in the preparation and review process and takes place in a timely manner before journals are posted to the accounting system. The implementation of the control should be evidenced appropriately and	A Borough project plan has been developed to improve the process of journal posting and approval.	31 March 2022	Head of Pension Fund	Will show as a control observation in the 2020/21 ISA260 report.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
		this evidence should be retained for a sufficient period.				
7.	Administration system editing rights	We recommend that the IT system is updated to prevent super-users from editing their own records, that any editing of each other's records is checked by a third person, and that an annual review of the system audit report is conducted to ensure that this control is being implemented and evidenced.	<p>The system used, altair, is maintained by a third party provider, Heywood. The majority of Local Authority Pension Funds use this system and so any system amendments have to be agreed across all system users. Procedures are being developed to ensure super-users do not amend their own records and that where amendments are made to super user records, a third independent person will review. The same person will undertake an annual review of the system audit file to check that all instances of super-user record access are within required controls.</p> <p>With specific regard to the prevention of 'Super-users' editing their own records it would be necessary to liaise with the Fund's heywood Client Manager. Actions</p>	31 August 2021	Head of Pension Fund	Subject to ongoing conversations with system provider.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
			are under consideration as to the possibility of using a 'User Specific Filter' facility where super-users' own NI Numbers could be added so that records access to their own records is set to 'Read Only'.			
8.	No evidence of authorisation for overnight loan prior to payment	We recommend that the Fund implements a control to record and review the rationale for all transactions outside the normal course of business, including consideration of any relevant laws, regulations and conflicts of interest. We also recommend that sufficient appropriate evidence is retained, demonstrating that the control has operated for all such transactions.	This matter has been reported to the Pensions Regulator.	May 2021	Head of Pension Fund	Not applicable.
9.	Separation of the Fund from the Authority	We recommend that the general ledgers of both entities are maintained in isolation. We also recommend that formal documentation is prepared by the Authority to request payments from the Fund, and that this is reviewed by the	A project plan is in place for the Pension Fund to have its own ledger account.	1 April 2022.	Head of Finance	Will show as a control observation in the 2020/21 ISA260 report.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
		Fund before payments are made. Furthermore, sufficient appropriate evidence should be retained demonstrating that the control has operated for all such transactions				
10.	Benefit calculations	We recommend that a formal record is retained of the points checked by the reviewer of benefit calculations, that a periodic review of the calculations produced by the benefits system is scheduled and carried out by a suitably qualified person and that contingencies are put in place to ensure benefits controls continue to operate in the event of personnel absences.	As a direct result of the Coronavirus pandemic the process of reviewing and checking inputs has successfully become driven by altair Task Management without the need to print Benefit Summary Documents and Letters. There is not an over reliance on the system, those processing the work and those checking are able to manually check the system output and flag any potential inaccuracies in the system output with the Technical Analyst and Assistant Technical Analyst. Those responsible for checking are knowledgeable in the areas they are responsible for checking.	Ongoing	Head of Pension Fund	Subject to ongoing conversations with system provider.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
			<p>It is acknowledged there was a key period of absence during the year and efforts will continue to be made to build greater resilience into processing all areas of administration and payroll.</p> <p>Altair includes a reportable workflow management system that identifies the stages of an administration process and the user who undertook the relevant task. Heywood, as the system provider, maintains the system on behalf of multiple Pension Fund users and provides system upgrades as required to ensure that the requirements of scheme regulations are met.</p>			
11.	Monthly investments update review delayed	We recommend that the accounting records are updated on a timely basis to ensure management information is sufficiently up to date to correctly inform decision making.	Financial and performance management information is made available on a monthly basis.	31 May 2021	Head of Pension Fund	Not applicable.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
12.	IT control – Altair audit trail of changes	We recommend that the annual review of the Altair audit trail include ensuring that completeness of the reports generated for review	Any adjustment to the filtering parameters would need to be undertaken by the system provider, Heywood, and therefore apply to all users of the system.	Ongoing	Head of Pension Fund	Subject to ongoing conversations with system provider.
13.	Administration system – segregation of duties controls)	We recommend that controls are implemented within the system to ensure that work prepared must be sent to someone with review responsibilities.	Controls have been set up by a super user based on the user profiles contained in the system. However, ongoing discussions will be had with the system providers to consider what changes could be made to improve this functionality with the proviso that the system is used by Pension Funds and bespoke amendments may not be financially viable.	Ongoing	Head of Pension Fund	Subject to ongoing conversations with system provider.
OTHER FINDINGS						
14.	Lack of continuity plans in relation to absence of key individuals	We recommend that continuity plans be developed for all key roles within the Fund's operations.	This will be reviewed as part of the ongoing governance review.	31 March 2022	Head of Pension Fund	Not applicable.
15.	Internal audit and monitoring of controls	We recommend that the internal audit function of the Authority is engaged annually	An Internal Audit report for the year 2020/21 that covers Pension Payroll and	30 June 2021	Head of Pension Fund	Not applicable.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
		to assess the operation of controls at the Fund.	Administration is near completion.			
16.	Compliance with LGPS regulations and the regulator.	We recommend that procedures are developed in response to the requirements, and which ensure that the Fund meets its statutory obligations and regulatory requirements.	The Fund complies with all LGPS regulations and takes notice of all recommendations from The Pensions Regulator. The annual work plan for the Pension Fund Committee includes regular reviews of all statutory policies.	31 May 2021	Head of Pension Fund	Not applicable.
17.	Approach to the pension liability disclosure	We recommend that the Fund takes steps to ensure that all non-trivial adjustments to the liability are included at each valuation and that it satisfies itself that appropriate procedures are in place at the actuary to cleanse and check the member data used in each valuation.	We will discuss with actuary.	31 December 2021	Head of Pension Fund	Not applicable.
18.	IAS 19 cash flows incomplete	We recommend that the cash flow reporting is reviewed carefully and checked for reasonableness against expectations before it is provided to the actuary.	A review process will be put in place and documented.	31 December 2021	Head of Pension Fund	Not applicable.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
19.	Lack of procedures to detect subsequent events	We recommend that a process is implemented to consider this up to the date of signing of the financial statements.	Formal procedures will be put in place.	31 December 2021	Head of Pension Fund	Not applicable.
20.	Maintenance of records	It is important that the Fund ensures that adequate records are created and retained to evidence the rationale for all payments leaving the Fund.	Adequate records are maintained although it is not always possible to provide reports in 'unfamiliar' formats.	31 May 2021	Head of Pension Fund	Not applicable.
21.	Bank and custodian mandates	We recommend that all mandates are reviewed and updated accordingly to ensure they are complete and contain only relevant personnel. We also recommend that they are updated on an annual basis, or as soon as signatories leave office.	Mandates have been reviewed and have been updated.	30 April 2021	Head of Pension Fund	Not applicable.



Royal County of Berkshire Pension Fund

Planning report to the Audit Committee for the year ended 31 March 2021

Issued 7 May 2021 for the meeting on 17 May 2021

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Introduction

The key messages in this report:

We have pleasure in presenting our Planning Report to the Audit Committee (“the Committee”) for the 2021 audit of the Royal County of Berkshire Pension Fund (“the Fund”). We would like to draw your attention to the key messages of this paper:

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

Scope

Our principal audit objective is to obtain sufficient, relevant and reliable audit evidence to enable us to express an opinion on the statutory accounts of the Fund prepared under the Code of Practice on Local Authority Accounting (“the Code”) issued by CIPFA and LASAAC. We will be performing procedures to inform an opinion on the Fund accounts, which form part of the Council’s Statement of Accounts, and we will be performing procedures to inform an opinion on the consistency between those financial statements and the Pension Fund Annual report.

Additionally, we perform IAS19 procedures to support the local authority's audit of the pension liability in its statement of accounts.

Status of our 2020 audit

At the date of issue of this report, our audit of the pension Fund for the year ended 31 March 2020 is nearing completion and our final audit report for the 2020 audit has been submitted to you for consideration at this meeting. The audit opinion for 2020 can be signed on completion of the following points:

- Receipt of evidence of one bank payment authorisation;
- Finalisation of our internal quality review procedures;
- Update of our subsequent events and going concern procedures; and
- Receipt of the signed representation letter.

Audit Quality

Our audit approach is tailored to providing the Audit Committee with an audit which is designed to provide assurance and insight over the Fund control environment.

Our audit quality is managed by using dedicated pension scheme audit specialists within the team. This is supplemented by our IT teams, actuary specialists and longevity swap valuation specialists. This structure allows us to challenge key judgements taken in the preparation of the financial statements.

We plan and deliver an audit that raises findings early with those charged with governance. This is underpinned by mutually agreed timetables, detailed audit request lists and frequent communications with management and the Audit Committee.

Introduction (continued)

The key messages in this report:

Key developments

As part of our audit planning procedures to date, we have held planning meetings with key members of management to develop our understanding. The key developments are:

Across the year under audit, coronavirus (COVID-19) and Brexit have continued to cause disruption and volatility to financial markets. In line with the 2019/20 financial year, we will expect a discussion with management to assess the going concern of the Fund including the continuing impact of COVID-19 and impact of UK leaving the European Union.

We have reviewed each of the key account balances as part of our 2021 risk assessment. The uncertainty in the property market has subsided and as a result we do not expect their to be a material uncertainty in the valuation of the pooled funds.

Operationally we expect to complete the 2021 audit remotely and have discussed this approach with the Fund's management. We will remain alert that controls may be operating differently throughout our audit.

We will be using our Deloitte portal for the secure transfer of audit information and have compiled a detailed schedule of information required as part of the audit. In addition, we will utilise Microsoft Teams to hold video calls to update our process documentation and will utilise the functionality to share screens and inspect audit information. We have good experience of delivering audits remotely and are fully prepared to react and adapt to COVID-19 restrictions.

Significant audit risks

As we continue to accumulate knowledge of the Fund we have developed our risk assessment so that our plan reflects those areas which we believe have a greater chance of leading to material misstatement of the financial statements.

Based on procedures performed to date, we summarise below the areas of significant audit risk we have so far identified, these may be subject to change following completion of our remaining planning work. We will update the Committee on any changes to our risk assessment at the next meeting. The significant risks currently identified are:

- Management override of controls; and
- Valuation of the longevity swap.

Auditing Standards include a presumption that management override of controls and revenue recognition are significant risks for all our audits.

We have rebutted the presumption of risk of fraud in revenue recognition for the Fund, as we consider that there is little incentive or opportunity for revenue (including investment income, transfers and contributions) to be fraudulently misstated and therefore there is limited risk of material misstatement arising due to fraud in this area.

Please refer to pages 9 and 10 for full details.

Introduction (continued)

The key messages in this report:

Significant issues identified last year

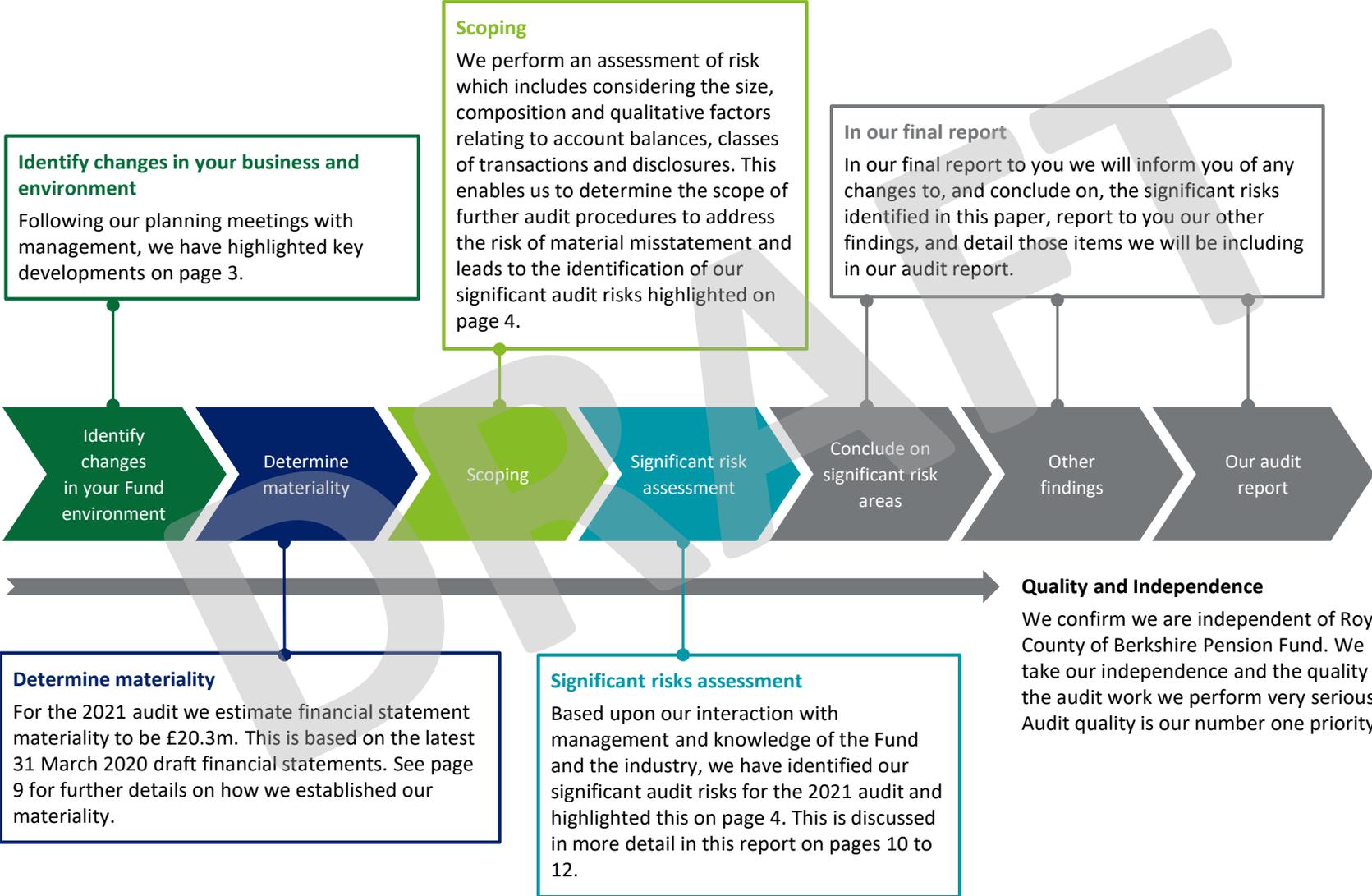
In our 2020 final audit report, we noted the following significant issues:

- A material error of £31.5m in the value of alternative funds arising from the absence of a controls to determine the valuation of stale price funds and to update the financial statements if new information came to light. We recommended that the Fund ensures controls within the financial reporting process are implemented such that the best estimate of the fair value of investments is used and that material changes to the investment balances are reflected in the financial statements;
- In our final report on the 2019 audit, we recommended that the Authority ensures that the longevity swap valuations provided by the actuary are reviewed and that the assumptions are understood and agreed before inclusion in the financial statements. Procedures performed during our 2020 audit revealed that, while the longevity swap valuation had been discussed with Barnett Waddingham, there was no formal control design documented and no recorded evidence of implementation of the control. We recommended that evidence of this review and assessment is clearly documented;
- We noted that administration system super-users have the access rights to edit their own member records and those of each other. Whilst any editing of the system can be reviewed, there is no formal review of this editing activity and no evidence was available of any other mitigating controls. We recommended that the IT system is updated to prevent super-users from editing their own records, that any editing of each other's records is checked by a third person, and that an annual review of the system audit report is conducted to ensure that this control is being implemented and evidenced;
- The Fund made an overnight loan to the Authority on the 27 June 2019 of £1.2m. The amount was returned to the Fund in full on the 28 June 2019. We recommended that the Fund does not enter into similar transactions in the future, at least not without appropriate consideration by those charged with governance and a breach has been reported to the Pensions Regulator;
- The design of the control for review of the financial statements did not include checking the draft statements to the underlying workings, nor was there evidence of formal review of this. We recommended that the design of the financial statement review control is amended to include checking to underlying working papers, the completion of a full CIPFA checklist, and is communicated clearly to all those involved in the preparation and review process; and
- The design of the control for review of journal postings does not include a formal description of the review process. There was no clear evidence available that a review took place through testing performed. We recommended that the design of the journal posting review control is amended to include a well defined scope. We also recommended that this amendment is communicated clearly to all those involved in the preparation and review process, and takes place in a timely manner before journals are posted to the accounting system.

The Fund's response to the above findings will be reviewed as part of this year's audit work.

Our audit explained

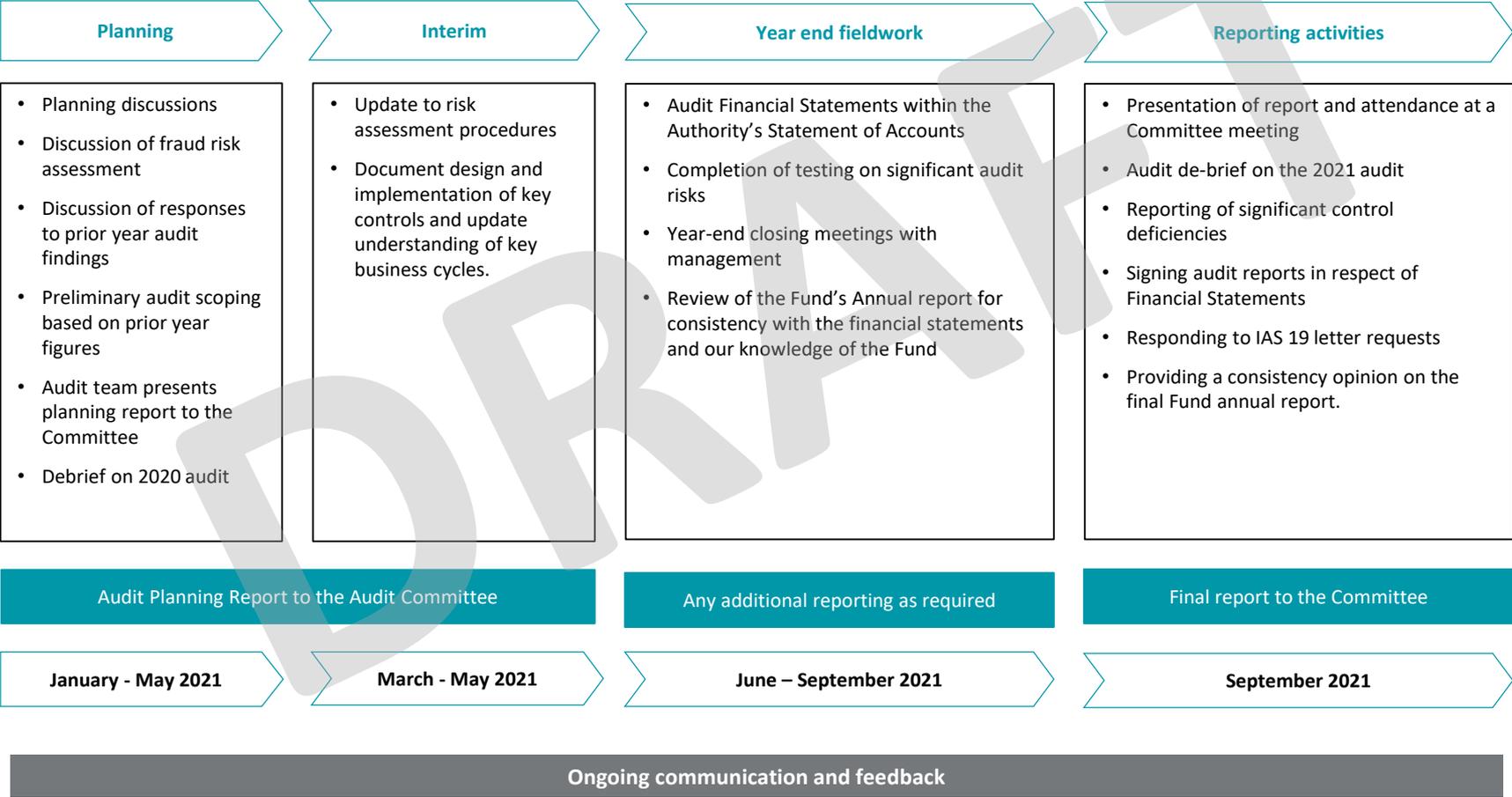
We tailor our audit to your fund:



Continuous communication and reporting

Planned timing of the audit:

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn and initial comments from the interim and final visits will be shared with management as required. The following sets out the expected timing of our reporting to and communication with you.



Impact of COVID-19 on our audit

Covid-19 outbreak - How is Deloitte responding?:

Deloitte have continued to monitor and manage our response to the COVID-19 situation in order to be able to respond as necessary. The health and safety of our people is paramount, but we are doing our utmost to ensure we can complete audits to required timetables. We summarise below how we are responding.

Impact on our audit and our response

We have Business Continuity Plan ('BCP') arrangements which align to ISO 22301. Our BCP for the firm has been enacted to consider and mitigate the impact of COVID-19 across our operations. The health and safety of our people and those we work with comes first. This includes the provision of advice and support to staff and associates, development of response plans, and upgrades to our IT infrastructure to increase capacity for secure remote working.

We have the capability to work remotely with our audited entities, utilising a number of collaboration tools, including Deloitte Connect (a tool that facilitates secure two-way dialogue between the Deloitte team and management to effectively manage engagement co-ordination) and MS Teams allowing us to collaborate and supervise activities.

We have adequate server capacity for all our people to work remotely and technological infrastructure such as Deloitte Connect that we have already been using with officers.

We are in regular contact with regulators as well as other Deloitte Member Firms to co-ordinate and understand the impact locally so we can execute global audits.

Impact of COVID-19 on our audit (continued)

COVID-19 outbreak - Impact on our audit

The first table below reflects some general considerations. The second table reflects some impacts specific to the local government context and how the Fund plans to respond to this.

Impact on the Fund	Impact on the Fund's Statement of Accounts	Impact on our audit
<ul style="list-style-type: none"> • Unavailability of personnel. • Increase in demand for some services and challenges in delivering such services 	<ul style="list-style-type: none"> • Principal risk disclosures • Fair value measurements based on unobservable inputs • Changes to the fair value hierarchy disclosure of some investments • Events after the end of the reporting period • Consider the impact on the Fund's going concern assessment and consider the need to enhance disclosures with respect to going concern 	<ul style="list-style-type: none"> • Focus on key areas of material change and uncertainty • We will review the Fund's going concern assessment and consider the adequacy of disclosures in the annual report and accounts with regards to going concern

Specific changes impacting local government and how the Fund audit plan will respond (bold text)

The publication date for final, audited, accounts has moved from 31 July to 30 September 2021 for all local authority bodies.

Discussions with management indicated the need to defer the original audit scheduling which aimed for the majority of work to be completed in July 2021.

This plan also assumes that third party reports such as the pension report from the actuary and investment manager reports are made available within this timeframe.

There will be disclosure requirements related to the impact of COVID-19.

Management are aware of this. We will evaluate the disclosures made by officers to determine whether they comply with the relevant disclosure requirements.

Audit is to be conducted remotely.

Our team will be using technology such as Microsoft Teams to facilitate the delivery of the audit whilst working remotely. We have an established practice with the finance team of transacting information over Deloitte Connect, our secure information storage portal, from last year's audit where we used this tool.

Potentially heightened risks of fraud.

The team have received extra training and will maintain professional scepticism. Management should also consider any gaps in the control framework under the current circumstances giving greater rise to fraud risk.

There may be material uncertainties to disclose in regard to property and other asset valuations.

We will evaluate this once the final valuation reports are provided.

Scope of work and approach

Our approach:

Liaison with internal audit

The Auditing Standards Committee's version of ISA (UK and Ireland) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work. We will discuss the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council's staff.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D&I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We recommend the Fund completes the Code checklist during drafting of their financial statements.

Materiality

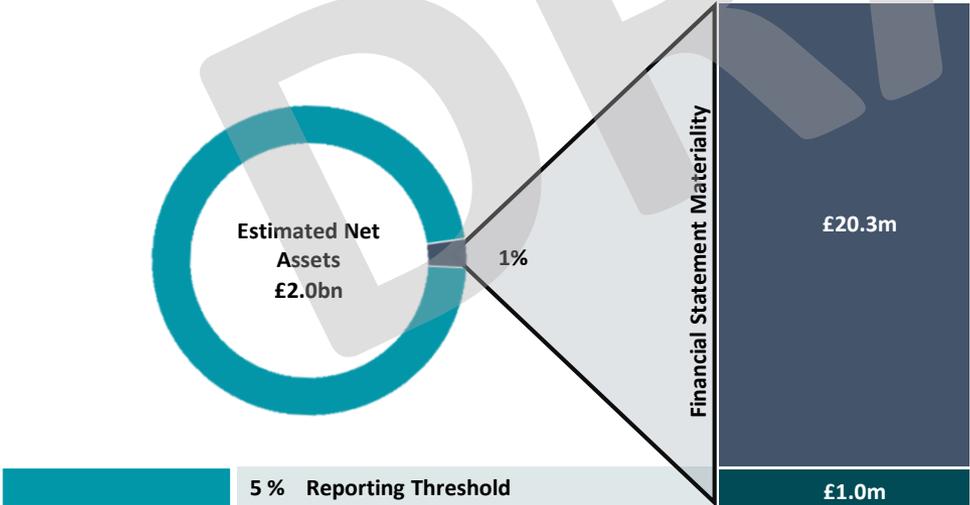
Our approach to materiality:

Basis of our materiality benchmark

- We have estimated financial statement materiality as £20.3m based on professional judgement, the requirement of auditing standards, and the net assets of the Fund. As we complete our remaining planning procedures, we will consider further, together with the Royal Borough of Windsor and Maidenhead audit team, whether any adjustment is required to the level of materiality applied to the Fund. If any changes are made to our assessment of materiality we will communicate those to the Audit Committee.
- We will apply a factor of 1% (compared with 1% for the 2020 audit) to the selected benchmark of Fund net assets. As year end information is not yet available, we have used the draft net assets value as at 31 March 2020. Potential investment movements across the year have been considered against benchmarks, however we have deemed prior year to be appropriate at this stage following the completion of these procedures.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of 5% of materiality, we will report to you misstatements below this threshold if we consider them to be material by nature.
- We will review materiality for the 2021 audit on receipt of the draft 2021 financial statements, and report any changes to those charged with governance in our subsequent audit reports.
- Materiality calculation: Although materiality is the judgement of the audit partner, the Committee members must be satisfied the level of materiality chosen is appropriate for the scope of the audit.



Significant Risks

Management override of controls:

Risk identified

In accordance with ISA 240 (UK) management override is always a significant risk for financial statement audits. The primary risk areas surrounding the management override of internal controls are over the processing of journal entries and the key assumptions and estimates made by management.

Deloitte response management override of controls risk identified

In order to address the significant risk our audit procedures will consist of the following:

- Use Spotlight, our data analytics software, in our journals testing to interrogate 100% of journals posted by the Fund. This uses intelligent algorithms that identify higher risk and unusual items;
- Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Perform a walkthrough of the financial reporting process to identify the controls over journal entries and other adjustments posted in the preparation of the financial statements;
- Test the design and implementation of controls around the journals process and investment and disinvestment of cash during the year;
- Review of related party transactions and balances to identify if any inappropriate transactions have taken place;
- Review the accounting estimates for bias, that could result in material misstatement due to fraud, including whether any differences between estimates best supported by evidence and those in the financial statements, even if individually reasonable, indicate a possible bias on the part of management; and
- We will consider whether the conditions resulting from COVID-19 impact the level of risk associated with potential frauds and adjust our procedures accordingly.

Significant Risks (continued)

Valuation of the longevity swap:

Risk identified

The Fund holds a material longevity swap to hedge longevity risk. A longevity swap is designed to insure the Fund against the risk that pensioners live longer than the current mortality assumptions. Valuation of longevity swaps are sensitive to relatively small movements in the key assumptions used in the actuarial calculations. The setting of these assumptions involves judgement. Based on last year's draft financial statements the value was (£123.9m) and we expect the value to be material in size this year.

As a result of this we consider the valuation of the longevity swap to be a significant risk.

Deloitte response to the risk identified

In order to address this area of significant audit risk, we will perform the following audit procedures:

- Perform an assessment of the actuarial expert in respect of their knowledge and experience in this area;
- Test the design and implementation of the key controls with respect to the valuation of the longevity swap;
- Obtain a valuation report directly from the actuary and reconcile this to the financial statements disclosure;
- Review the underlying documentation for the policy, including the population covered, the assumptions and other key inputs used in the calculation, and the agreed cash flows;
- Engage in-house actuarial specialists to challenge and assess the reasonableness of the valuation of the policy based on the underlying terms of the contract and the forecast cash flows; and
- Compare our expectation of the value with that reported by the actuary, investigating any differences identified that are outside the range of results that we consider to be reasonable.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties:

What we report

Our respective responsibilities are set out in "PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies." The responsibilities of auditors are derived from statute, principally the Local Audit and Accountability Act 2014 and from the NAO Code of Audit Practice. The responsibilities of audited bodies are derived principally the Local Audit and Accountability Act 2014 and from the Accounts and Audit Regulations 2015.

Our report is designed to communicate our preliminary audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes our preliminary audit plan, including key audit judgements and the planned scope.

Use of this report

This report has been prepared for the Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Fund.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by officers or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the statement of accounts and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.

Jonathan Gooding
for and on behalf of Deloitte LLP
St Albans | 17 May 2021

Appendix 1: Fraud responsibilities and representations

Responsibilities explained:



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and the Committee, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the management override of controls and the valuation of the longevity swap as the key audit risks for the Fund.



Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

We will request the following to be stated in the representation letter signed on behalf of the Committee:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- 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.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 1: Fraud responsibilities and representations

Inquiries:

We will make the following inquiries regarding fraud:



Management:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to the Committee regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries.

Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



The Committee

- How the Committee exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether the Committee has knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of the Committee on the most significant fraud risk factors affecting the entity.



Appendix 2: Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Fund and will reconfirm our independence and objectivity to the Committee for the year ended 31 March 2021 in our final report to the Committee.

Fees

The audit scale fee for the year ended 31 March 2021 is £19,120 however this is subject to change. In line with recent PSAA correspondence that scale fees should be negotiated by individual s151 officers, we are in discussion with the Fund regarding the current level of fee which we deem to be too low given the size and complexity of the body.

Our fees for issuing IAS 19 assurance letters to other auditors in respect of participating employers are not included in the above audit fee. We have estimated a fee of £2,500 per letter, which totals £15,000 for our 2021 audit.

The above fees exclude VAT and include out of pocket expenses.

Non-audit fees

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Fund's policy for the supply of non-audit services or any apparent breach of that policy.

We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Independence monitoring

We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Ethical Standard 2019

The FRC has released the Ethical Standard 2019. The standard classes pension schemes as 'other entities of public interest' where assets are greater than £1bn and there are more than 10,000 members. As a result, non audit services will be limited primarily to reporting accountant work, audit related and other regulatory and assurance services. All other advisory services to these entities, their UK parents and world-wide subs will be prohibited.

Relationships

We have no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

Appendix 3: Our approach to quality

Responding to challenges in the current audit market:

This is a time of intense scrutiny for our profession with questions over the role of auditors, market choice and the provision of non-audit services by an audit firm. We welcome the debate and are engaging fully with all parties who have an interest in the current audit market reform initiatives, so that our profession, our people, our clients and most importantly, the public interest, are served to the highest standards of audit quality and independence.

The role of audit

- Public confidence in audit has weakened over recent years and the expectation gap has widened with differences between what an audit does and what people think it should do (largely in areas of internal controls, fraud, front half assurance and long term viability)
- Deloitte fully supports an independent review into the role of auditors
- The Government's Brydon Review will consider UK audit standards and how audits should evolve

Would it be better to have audit only firms?

- Deloitte believes that multidisciplinary firms have more knowledge, greater access to technology and a deeper talent pool. The specialist input from industry, valuation, controls, pensions, cyber, solvency, IT and tax services are critical to an effective audit
- Our investment in audit innovation, training and technology is greater because of the multidisciplinary model

Is the current audit market uncompetitive?

- We recognise that the competition for large, complex clients is fierce, but we wholeheartedly support greater choice being available to stakeholders
- There are barriers to entry in the listed market that are significant including the required global reach, unlimited liability, and the high cost of tendering
- The audit profession has engaged with the Competition and Markets Authority with ideas on how to provide greater choice in the market, and responded to the CMA's suggested market remedies

Independence and conflicts from other services

- Legislation and the FRC's Ethical Standard restrict the services we may provide to audit clients
- Deloitte invests heavily in systems, processes and people to check for potential conflicts
- We have governance in place to assess any areas of potential conflict, including where required to protect the public interest
- Fees for non-audit services to audit clients have fallen since 2008 (17% to 7.3% of firm revenue)

Deloitte

- Deloitte and Audit Service Line leadership are happy to meet the Board and management of our clients with respect to this important debate. We reaffirm our commitment to quality, independence and upholding the public interest
 - Our Impact Report and Transparency Report are available on our website <https://www2.deloitte.com/uk/en/pages/about-deloitte-uk/articles/annual-reports.html>
 - Our response to the latest AQR report is on page 22.
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Appendix 3: Our approach to quality

AQR team report and findings:

Audit quality remains our number one priority and we have a relentless commitment to it. We continue to invest in and enhance our Audit Quality Monitoring and Measuring programme.

In July 2020 the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2019/20 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

We are pleased with our results for the inspections of FTSE 350 entities achieving 90% assessed as good or needing limited improvement, which included some of our highest risk audits. Our objective is for 100% of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard. We are however, extremely disappointed one engagement received a rating of significant improvements required during the period. This is viewed very seriously within Deloitte and we have worked with the AQR to agree a comprehensive set of swift and significant firm wide actions.

We are also pleased to see the impact of our previous actions on prior year adjustments is reflected in the results of current year inspections with no findings in this areas. In addition the FRC identified good practice examples including in: risk assessment, group oversight, our comprehensive IFRS9 expected credit loss audit programme and our audit committee reporting.

Embedding a culture of challenge in our audit practice underpins the key pillars of our audit strategy. We invest continually in our firm wide processes and controls, which we seek to develop globally, to underpin consistency in delivering high quality audits whilst ensuring engagement teams exercise professional scepticism through robust challenge.

All the AQR public reports are available on its website.

<https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

The AQR’s 2019/20 Audit Quality Inspection Report on Deloitte LLP

We reviewed 17 individual audits this year and assessed 13 (76%) as requiring no more than limited improvements. Of the 10 FTSE 350 audits we reviewed this year, we assessed nine (90%) as achieving this standard.

We have highlighted in this report aspects of firm-wide procedures which should be improved, including strengthening the monitoring of the firm’s audit quality initiatives.

Our key findings related principally to the need to:

- Improve the extent of challenge over cash flow forecasts in relation to the impairment of goodwill and other assets.
- Enhance the effectiveness of substantive analytical review and other testing for revenue.
- Improve the assessment and extent of challenge regarding management’s estimates, particularly for model testing.

The firm has taken steps to address the key findings in our 2019 public reports, with actions that included focused training and standardising the firm’s audit work programmes.

We have identified improvements, for example in the audit of potential prior year adjustments and related disclosures, a key finding last year. We also identified good practice in a number of areas of the audits we reviewed (including effective group oversight and robust risk assessment) and in the firm-wide procedures (including the firm’s milestone programme, with expected dates for the phasing of the audit monitored by the firm).

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