

West Sussex Pension Fund

Audit results report

Year ended 31 March 2022

September 2022

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better  
working world

West Sussex County  
Council  
County Hall  
West Street  
Chichester  
PO19 1RQ

13 September 2022

Dear Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Regulation, Audit and Accounts Committee. We will update the Committee at its meeting on 22 September 2022 on further progress to that date and explain the remaining steps for the issue of our final opinion.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on West Sussex Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. This report is intended solely for the information and use of the Regulation, Audit and Accounts Committee and management. It is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Committee meeting on 22 September 2022

Yours faithfully



Helen Thompson

Partner

For and on behalf of Ernst & Young LLP

Encl

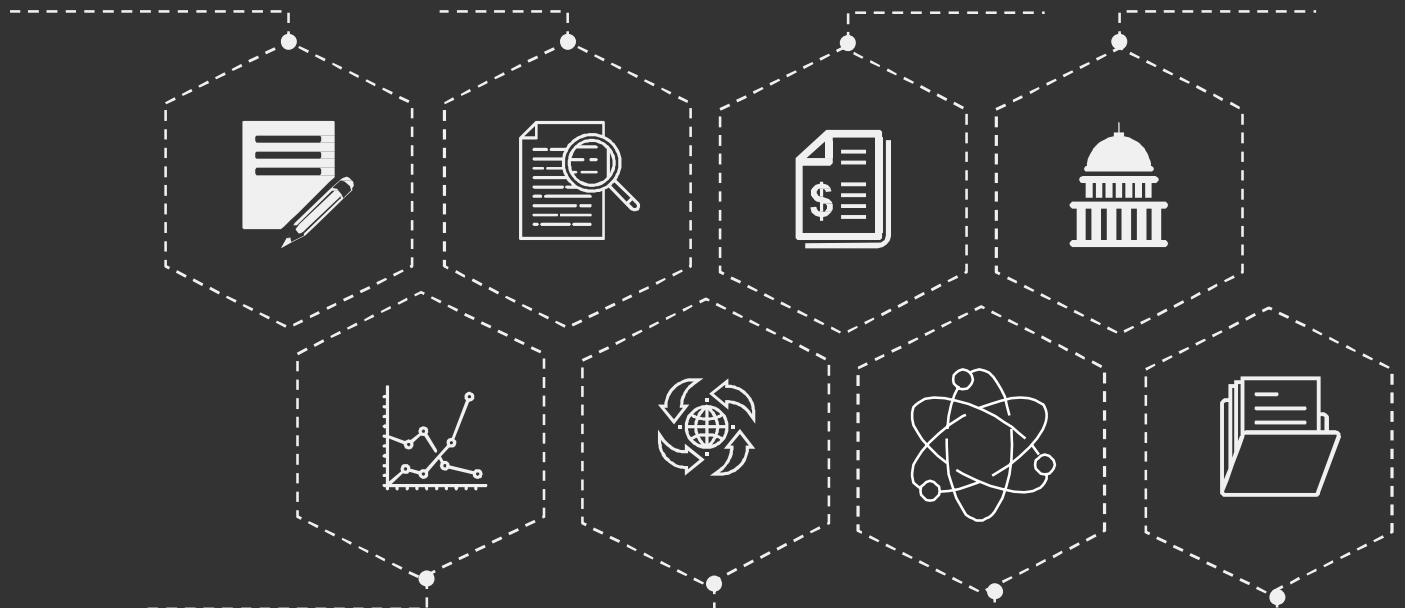
# Contents

01 Executive Summary

02 Areas of Audit Focus

03 Draft Audit Report

04 Audit Differences



05 Other reporting issues

06 Assessment of Control Environment

07 Independence

08 Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Regulation, Audit and Accounts Committee and management of West Sussex Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Regulation, Audit and Accounts Committee, and management of West Sussex Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Regulation, Audit and Accounts Committee and management of West Sussex Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary

## Executive Summary

---

### Scope update

In our Audit Planning Report presented to the 14 March 2022 Regulation, Audit and Accounts Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We subsequently updated our planning and communicated this to you in our updated audit planning report taken to the 18 July meeting of the Regulation, Audit and Accounts Committee. We carried out our audit in accordance with this updated plan.

### Changes in materiality

We have made no changes to our assessment of materiality subsequent to presenting our updated 2021/22 Audit Planning Report to you in July 2022.

### Status of the audit

Our audit work in respect of the Fund opinion is substantially complete. We will need to complete the following remaining closing procedures prior to issuing our audit opinion:

- Update of our subsequent events procedures to the date of our opinion
- Receipt of a signed letter of management representation

### Audit differences

At the date of this report, there are no unadjusted or adjusted audit differences which require your attention.



# Executive Summary

## Areas of audit focus

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

Fraud risks	Findings & conclusions
Risk of manipulation of Investment income and valuation	<p>We carried out procedures to address fraud risks as set out in our Audit Plan, including testing journal entries and considering estimates for evidence of management bias. Using data analytics is central to our approach.</p> <p>We also performed a reconciliation between the fund manager reports and the custodian reports to address the risk of manipulation of asset valuations.</p> <p>We have completed our work in this area and have no matters to bring to your attention.</p>

Inherent risks	Findings & conclusions
Valuation of level 3 investments	<p>We carried out procedures as set out in our Audit Plan to ensure that these investment valuations are supported and that estimation processes, including assumptions made, are materially accurate.</p> <p>We have completed our work in this area and have no matters to bring to your attention.</p>
Valuation of directly held property (Level 2 Fair Value hierarchy)	<p>We sample tested key inputs, and challenged key assumptions, used by the valuer in producing the property valuation.</p> <p>We have completed our work in this area and have no matters to bring to your attention.</p>
Going concern	<p>The financial statements have been prepared on a going concern basis. We challenged management's assessment and disclosure in the draft financial statements which resulted in some minor amendments.</p> <p>We have completed our work in this area and have no other matters to bring to your attention.</p>
IAS 26	<p>We carried out procedures as set out in our Audit Plan to gain assurance over the IAS 26 actuarial statement and the associated disclosure of the actuarial present value of promised retirement benefits as a note to the accounts.</p> <p>We have completed our work in this area and have no other matters to bring to your attention.</p>



# Executive Summary

---

## Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements.

## Independence

Please refer to Section 7 for our update on Independence.



## 02 Areas of Audit Focus





# Areas of Audit Focus

## Fraud risk

### Risk of manipulation of Investment income and valuation

#### What is the risk?

There is a risk that the financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

#### What judgements are we focused on?

The risk of management override at the Pension Fund is mainly through the possibility that management could override controls and manipulate in-year financial transactions which intend to adjust the entity's reported Fund Account.

We have assessed that the risk of manipulation of investment income and valuation through management override of controls is most likely to affect investment income and assets in the year, specifically through journal postings.

#### What did we do?

We:

- Reviewed journals throughout the year and at year-end to ensure there were no unexpected trends or unusual postings. This included reviewing the movement of income, expenditure, assets and liability transactions on the general ledger to identify postings that may be indicative of the manipulation of investment income and valuation by management. Unusual or unexpected journal postings, including any which were indicative of management override, were tested further;
- Undertook a review of reconciliations to the fund manager, custodian and valuer reports and investigated any reconciling differences;
- Re-performed the detailed investment note using the reports we have acquired directly from the custodian, valuer or fund managers;
- Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- Reviewed accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk.

#### What are our conclusions?

We have not identified any material evidence of material management override. Specifically:

- Our review of trends in general ledger data, and detailed consideration of unusual or unexpected journal postings, did not identify any journal entries that suggested the manipulation of accounting records or override or controls by management.
- We were able to reconcile fund manager, custodian and valuer reports to investments valuations disclosed in the financial statements with no material differences.
- We were able to agree the detailed investment note using reports directly from the custodian, valuer or fund managers.
- We checked the reconciliation of holdings included in the Net Assets Statement back to the source reports.
- Our review of accounting estimates, including estimates with a higher level of inherent risk, identified no evidence of management bias.



## Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<p><u>Valuation of Level 3 Investments</u></p> <p>We consider the valuation of Level 3 investments to be of a higher degree of inherent risk due to the unobservable inputs making up the valuations. This involves a high degree of estimation from the fund manager as audited accounts are only produced up to Q3 of the financial year.</p> <p>The Fund's private equity, private debt and new infrastructure investments are categorised as being at level 3 in the fair value hierarchy. This is due to the uncertainty associated with the valuation of such investments and the absence of a liquid market, meaning that the valuations are not based on observable inputs.</p>	<p>We:</p> <ul style="list-style-type: none"><li>• Agreed the population of investment assets accounted for in the financial statements to individual underlying fund manager valuation reports to 31/3/2022.</li><li>• Agreed the net asset value (NAV) of the level 3 investments appearing in the Fund's financial statements to underpinning audited financial statements supporting the investments as at 31/3/2022 where financial statements supporting valuation at this date were available. Where audited financial statements supporting the investments were not available at the net asset statement date we agreed the NAV in fund manager reports at 31/12/2021 to audited financial statements at that date. Further assurance was obtained as set out below.</li><li>• Obtained controls assurance reports from fund managers. Where these were not to 31/3/2022 we obtained bridging confirmation to 31/3/2022. One of the fund managers (Partners Group) does not routinely provide bridging letters. However, we have sought and obtained confirmation via email that to the best of their knowledge, there have been no material issue identified subsequent to the report being completed nor have there been any material changes to the control framework. We evaluated the overall assurance given and any specific control failures. We specifically considered controls that relate to valuation for exceptions or issues that may caveat the assurance given.</li><li>• Evaluated the underpinning audited fund financial statements for each fund at either 31/12/2021 or 31/3/2022 to ensure they were unqualified, had no other potentially relevant reporting points and were issued by a reputable auditor. Where relevant, we agreed the NAV of private equity investments to underpinning audited financial statements as at 31/12/2021 by applying the Fund's share-holder percentage to the value within the statements. Where audited financial statements were not available at 31/3/2022 we adjusted the 31/12/2021 (quarter 3) valuation for known cash flow movements in the final quarter of the year, assuming they occurred at the start of quarter 4. We then obtained quarter 3 to 4 indices relevant to the type of investment to create a high/low range of movements for quarter 4 and applied that to the valuation derived for each investment at 31/12/2021. We confirmed that the range established was not greater than our performance materiality.</li><li>• Compared the valuation in the financial statements to the range established above to gain assurance they were within range to a tolerance of performance materiality.</li></ul> <p>Conclusion: We are satisfied that the valuation of the Fund's level 3 investments is materially correct in the financial statements. There were no significant reporting points or areas of concern arising from the procedures undertaken to draw to your attention.</p>



## Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<p><u>Valuation of directly held property</u></p> <p>We consider the valuation of property investments to be of a higher degree of inherent risk because of the level of estimation uncertainty. Management is required to make material judgemental inputs and apply estimation techniques, supported by a professional valuer, to arrive at the year value of property investments carried in the Net Assets Statement.</p>	<p>We:</p> <ul style="list-style-type: none"><li>• Agreed the population of investment assets accounted for in the population to the Fund's property valuer's year end valuation report.</li><li>• Obtained assurance from the Fund's property valuer by writing to them to establish their qualifications and professional competence as a basis to rely on management's specialist, and obtained the detailed valuation report directly from the valuer independently of Fund management.</li><li>• Undertook detailed procedures for a sample of 13 assets selected on a judgmental basis to gain assurance over the valuer's report, including assumptions and methodology used to determine the fair value of the property investments. This resulted in us testing a value of £332.85m, which is 56% of the total value of directly held property investments in the financial statements.</li><li>• Used relevant indices to perform a reasonableness over the valuation change of the remaining assets compared to the prior year. The difference between the actual carrying value of the remaining assets and our estimated valuation based on the application of indices was below our performance materiality.</li></ul> <p>Conclusion: We are satisfied that the valuation of the Fund's directly held property investments is materially correct in the financial statements. There were no significant reporting points or areas of concern arising from the procedures undertaken to draw to your attention.</p>
<p><u>Going Concern</u></p> <p>There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund is required to carry out a going concern assessment that is proportionate to the risks it faces. There is a need for the Fund to ensure its going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.</p> <p>The Fund is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.</p>	<p>We:</p> <ul style="list-style-type: none"><li>• Challenged management's identification of events or conditions impacting going concern.</li><li>• Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).</li><li>• Reviewed the Fund's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.</li><li>• Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, to inform our conclusions.</li><li>• Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.</li></ul> <p>Conclusion: We are satisfied that management's assessment that the financial statements should be prepared on a going concern basis and that this was properly informed by management's assessment. Some amendments were made to relevant disclosure in the draft financial statements as a result of our work. In particular we asked management for a period of more than 12 months from the anticipated date the financial statements are authorised for issue.</p>



## Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<p><u>IAS 26</u></p> <p>We consider the valuation of IAS 26 to be of a higher degree of inherent risk because of the level of estimation uncertainty resulting from the calculation using a number of underlying assumptions. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables. While IAS 26 does not inform the primary statements, there is stakeholder interest in this disclosure due to its nature.</p>	<p>We have:</p> <ul style="list-style-type: none"><li>• Agreed the disclosure to the IAS 26 actuarial statement and reporting requirements</li><li>• Engaged auditor's specialists to review the IAS 26 calculation approach and comment on the underlying assumption.</li><li>• Reviewed the work of the management specialist (Hymans Robertson, the actuary) and auditor's specialist.</li><li>• Considered the controls used by Hymans Robertson in undertaking the calculation.</li><li>• Performed IAS 19 procedures, which give us assurance over the data input into the calculation</li></ul> <p>Conclusion: We have completed our work in this area and have no matters to bring to your attention.</p>



# 03 Audit Report





# Audit Report

## Draft audit report

### Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST SUSSEX COUNTY COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS

#### Opinion

We have audited the Pension Fund financial statements for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Asset Statement and the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion the Pension Fund financial statements:

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

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 16 months from when the Scheme's financial statements are authorised for issue.

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

#### Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

#### Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);



# Audit Report

## Draft audit report

### Our opinion on the financial statements

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

#### Responsibility of the Director of Finance and Support Services

As explained more fully in the Statement of Responsibilities set out on page 22, the Director of Finance and Support Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Director of Finance and Support Services is also responsible for such internal control as the Director of Finance and Support Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Support Services is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

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

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Pension Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Committee minutes, and through the inspection of employee handbooks and other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Pension Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk.



# Audit Report

## Draft audit report

### Our opinion on the financial statements

- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk of manipulation of investment income and valuation we:
  - Undertook a review of reconciliations to the fund manager, custodian and valuer reports and investigated any reconciling differences;
  - Re-performed the detailed investment note using the reports we have acquired directly from the custodian, valuer or fund managers;
  - Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
  - Reviewed accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk.
- The Pension Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

### Use of our report

This report is made solely to the members of West Sussex County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than West Sussex County Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.



# 04 Audit Differences





# Audit Differences

---

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of audit differences

There are no unadjusted or adjusted audit differences which require your attention.





## 05 Other reporting issues

## Other reporting issues

---

# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2021/22 with the audited pension fund financial statements. We have no inconsistencies to draw to your attention.

In addition, we also perform procedures to ensure the consistency of the pension fund accounts with the version presented in the Pension Fund's Annual Report. We have no issues to draw to your attention.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We have had no reason to exercise these duties.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund's financial reporting process. We have no matters to report.



06

## Assessment of Control Environment





# Assessment of Control Environment

---

## Financial controls

### Our responsibilities

It is the responsibility of the Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

### Findings

We have not identified any significant deficiencies in internal control.



07

Independence



## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

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

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Description	Final Fee 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
Scale Fee – Code work	20,364	20,364	20,364
Fee variations (see Note 1).	TBC	43,862	12,375
PSAA pre-approved additional fee for ISA540 (See Notes 1 and 2)	1,911	1,911 Included as part of the 43,862 above	1,911
Additional fee for IAS19 assurance work on behalf of admitted bodies (see Note 3).	8,500	8,500	8,000
<b>Total Fees</b>	<b>TBC</b>	<b>72,726</b>	<b>42,650</b>

Note 1 - In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we assessed that the recurrent cost of additional requirements to carry out our audit should increase by £43,862. PSAA determined an additional scale fee variation of £14,286 for 2020/21, £1,911 of this relates to ISA540 Estimates and the remaining £12,375 relates to other work areas and was determined on a non-recurrent basis. We expect similar recurrent costs to our assessment in 2021/22 and subsequent years. However, PSAA has stated that this will need to be determined each year.

Note 2 - PSAA communicated a range of fees in August 2021 for the revised International Standard of Auditing 540 on Estimates. In the absence of further information, we have rolled this forward for 2021/22.

Note 3 - In 2021/22 we have received an additional request for IAS 19 assurance for an extra admitted body and this has created an additional IAS19 fee of £500,

## Other communications

### EY Transparency Report 2021

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:

[EY UK 2021 Transparency Report | EY UK](#)



# 08 Appendices

## Appendix A

---

# Audit approach update

We summarise below our approach to the audit of the net asset statement and any changes to this approach from the prior year audit.




Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

There are no changes to our audit approach to the Fund's Net Asset Statement when compared to the prior year audit.

## Appendix B

# Summary of communications





Date 	Nature 	Summary 
Throughout the year	Meetings, calls and emails.	<p>The Partner and Senior Manager have held monthly meetings with the Director of Finance and Support Services throughout the year.</p> <p>The audit team has met with the Pension Fund Strategist and team in respect of the Fund's risks, accounts closedown and the audit approach regularly throughout the audit.</p>
March 2022 - Regulation, Audit and Accounts Committee	2021/22 Audit Planning Report	<p>The Partner and/or Senior Manager have attended those meetings of the West Sussex County Council Regulation, Audit and Accounts Committee noted opposite through the financial year and to the date of issue of this report.</p>
July 2022 - Regulation, Audit and Accounts Committee	2021/22 Updated Audit Planning Report	<p>Specific reports issued and communications with the West Sussex County Council Regulation, Audit and Accounts Committee are detailed in Appendix C.</p>
September 2022 - Regulation, Audit and Accounts Committee	2021/22 Audit Results Report	






## Appendix C

# Required communications with the Regulation, Audit and Accounts Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report, March 2022 meeting of the Regulation Audit and Accounts Committee. Updated Audit Planning Report, July 2022 meeting of the Regulation Audit and Accounts Committee
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.

## Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	<p>This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.</p> <p>No conditions or events were identified, either individually or together to raise any doubt about the Fund's ability to continue for the 12 months from the date of our report</p>
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	<p>This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.</p>
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	<p>Attending the Regulation, Audit and Accounts Committee – 22 September 2022</p>
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:             <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	<p>Formal enquiry letter sent and response received from Chair of the Regulation, Audit and Accounts Committee.</p> <p>and</p> <p>This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.</p>

# Appendix C





		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	<p>This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>• Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>• Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>• Related safeguards</li> <li>• Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>• A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> </ul>	<p>Audit Planning Report, March 2022 meeting of the Regulation Audit and Accounts Committee.</p> <p>Updated Audit Planning Report, July 2022 meeting of the Regulation Audit and Accounts Committee</p> <p>and</p> <p>This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.</p>

# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> <li>• Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>• Details of any contingent fee arrangements for non-audit services</li> <li>• Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>• The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit.</li> </ul>	This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.



# Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit planning report is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit Planning Report, March 2022 meeting of the Regulation Audit and Accounts Committee; Updated Audit Planning Report, July 2022 meeting of the Regulation Audit and Accounts Committee; and This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.

# Draft management representation letter

West Sussex Pension Fund.

## Management Representation Letter

xx November 2022

Helen Thompson  
Partner  
Ernst & Young LLP  
Grosvenor House  
Grosvenor Square  
Southampton  
SO15 2BE

This letter of representations is provided in connection with your audit of the financial statements of West Sussex Pension Fund (“the Fund”) for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 01 April 2020 to 31 March 2022 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2022, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We understand that the purpose of your audit of the Fund’s financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and are free of material misstatements, including omissions. We have approved the financial statements.

## Draft management representation letter

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

### B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty.
6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - Involving financial improprieties
  - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
  - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
  - Involving management, or employees who have significant roles in internal control, or others
  - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

## Draft management representation letter

2. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
4. We have made available to you all minutes of the meetings of the Regulation, Audit and Accounts Committee and Pensions Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
8. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022
9. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.
10. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

### E. Going Concern

3. Note 2 to the financial statements discloses all the matters of which we are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.



## Draft management representation letter

### F. Subsequent Events

1. Other than the events described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information included in the Statement of Accounts 2021/22, other than the financial statements and our auditor's report thereon.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### H. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

### I. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.

### J. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

### K. Actuarial valuation

1. The latest report of the actuary Aon Hewitt as at 31 March 2020 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on their report.

### L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value the property portfolio and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

## Draft management representation letter

### M. Estimates

1. We confirm that the significant judgments made in making the IAS26 disclosure and directly held property, private equity, private debt and infrastructure investment valuations estimates ("the accounting estimates") have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.
3. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

EY | Assurance | Tax | Transactions | Advisory

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

© 2017 EYGM Limited.  
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

[ey.com](http://ey.com)