

Audit Findings Report (ISA 260) for the Royal Borough of Kensington and Chelsea Pension Fund

Year ended 31 March 2025

6th November 2025



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29 September 2025

Dear Audit and Transparency Committee

Audit Findings Report for the Royal Borough of Kensington and Chelsea Pension Fund for the year ended 31 March 2025

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

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf](#).

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

Matt Dean

Director
For Grant Thornton UK LLP

Chartered Accountants

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Introduction

These are the key findings and other matters arising from the statutory audit of the Royal Borough of Kensington and Chelsea Pension Fund (the ‘Pension Fund’) and the preparation of the Pension Fund’s financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

ISA Requirements

Under the National Audit Office (NAO) Code of Audit Practice (the ‘Code’), we are required to report whether, in our opinion:

- the Pension Fund’s financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund’s assets and liabilities, and;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Audit Work

Our audit work commenced as planned in mid-June. Your pension fund team produced a good set of financial statements accompanied by a full suite of working papers in line with the agreed timetable. It is worth noting that our timetable was circa 2 weeks before the statutory deadline of the end of June.

The aimed completion of the work, as per our audit plan, was the end of September 2025 and the audit was completed in line with that. Similar to our experience in prior years, both the quality of information provided and the communication from your pension fund team has been exemplary, and we would therefore like to extend our gratitude to management for their continued efforts and cooperation during the audit.

At conclusion of the audit, we have identified £9.7 million of unadjusted differences in the valuation of the Fund’s investments disclosed in the financial statements at 31 March 2025 and the valuation statements received from the third-party investment managers. These unadjusted differences are detailed on pages 33. Management are proposing not to amend the financial statements on the basis that the differences are not material both quantitatively and qualitatively to the financial statements. The Audit and Transparency Committee will be asked to confirm their agreement to this through the Letter of Representation.

These errors are a result of the timing of the relevant information rather than any underlying control deficiency. Investment managers provide estimated values to enable management to produce the accounts. Since the publication of the draft accounts, some investment managers revised their estimated values with better information. This is not something unique to your pension fund and is a common finding in many of our LGPS audits.

We have also raised two recommendations for management as a result of our audit work. These are set out on pages 35-36. Our follow up of recommendations from the prior year’s audit are detailed on pages 37-38.

(Continued overleaf)

Headlines

Financial statements

Audit Work - continued

Our work complete and there are no matters of which we are aware that would require modification of our proposed audit opinion or material changes to the financial statements.

Our opinion on the financial statements will be unmodified.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

Due to statutory deadlines the Pension Fund Annual Report is not required to be published until 1 December 2025 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time.

We do note that whilst an opinion on the administering authority's financial statements can be issued by their auditor the formal certificate confirming completion of the audit of the administering authority cannot be given until their work on Whole of Government Accounts and any objections has been completed.

Headlines

Local & National Context

Local Context

'Fit for Future' impact

On 29 May 2025, the UK Government published its formal response to the consultation titled "LGPS: Fit for the Future." The response confirmed the Government's intended approach to the proposals issued in November 2024, encompass key areas such as asset pooling, local investment, and governance reform.

In light of this, the Royal Borough of Kensington and Chelsea (RBKC) Pension Fund is actively preparing its strategy to ensure the appropriate transfer of assets to the London CIV (LCIV) by the mandated deadline of 31 March 2026. The Fund is currently engaged in discussions with LCIV to establish Investment Management Agreements (IMAs) for certain Directly Held Properties and Private Equity Investments. These arrangements aim to facilitate a smooth transition, ensuring that LCIV has the necessary resources in place and that the transfer process does not incur additional fees.

While these developments have not impacted the current year's audit work, we anticipate significant changes towards the end of the 2025/26 financial year, continuing into 2026/27.

Triennial valuation – 31 March 2025

Within the year the Pensions Admin Team have been progressing the Triennial Valuation as at 31st March 2025. To date the fund has submitted the appropriate data to Hymans Robertson and they are now awaiting the formal results expected in early 2026.

This Triennial valuation has no impact on the current year statement of accounts and audit work; however, we expect the conclusion to impact both actuarial disclosures in the next year and the IAS 19 reports for Administering, Admitted and Scheduled Bodies.

National context

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

We are pleased to report that we anticipate issuing our opinion on the pension fund financial statements alongside that of the administering authority shortly after the Committee, well ahead of the statutory deadline.

Financial statements

Overview of the scope of our audit

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

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

For Royal Borough of Kensington and Chelsea Pension Fund, the Audit and Transparency Committee fulfils the role of those charged with governance. The Pension Committee considers the draft financial statements and is part of the overall member oversight process.

Audit approach

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

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

We have had to alter our audit plan, as detailed later in this report on pages 9-10. This is due to a revision of materiality, due to the reconsideration of the appropriate cap required to ensure that the Pension Funds Performance Materiality does not exceed the administering authority auditor's materiality, once the share of assets is considered.

Conclusion

We have completed our audit of your financial statements and issued an unqualified audit opinion on 6th November 2025, following the Committee meeting on 29th September 2025, as detailed in Appendix E.

Our approach to materiality

As communicated in our Audit Plan dated 23 June 2025, we determined materiality at the planning stage as £22,500,000, based on 1.25% of Gross Investment Assets as at 31 March 2024. At year-end, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements. Materiality has been updated at year end due to the reconsideration of the appropriate cap required to ensure that the Pension Fund's Performance Materiality does not exceed the administering authority auditor's materiality, once the share of assets is taken into account.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at **£21.8 million** based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as Business Environment and Other Sensitivities.
- We have used 1.2% of gross investment assets as at 31 March 2025 as the benchmark for our materiality.
- In line with the approach taken in the previous year, materiality for the PF financial statements as a whole should not exceed the administering authority auditor's materiality once the share of assets is taken into account, we have therefore taken into account the materiality of the PF administering authority in determining materiality which has resulted in the value being capped at 1.2%.

Performance materiality

- We have determined performance materiality at **£16.3 million**, this is based on 75% of headline materiality. We have not had to revise performance materiality from the planned level.

Reporting threshold

- We will report to you all misstatements identified in excess of **£1.0 million**, in addition to any matters considered to be qualitatively material.

Specific materiality for the Fund Account

- We have determined a lower separate materiality for the fund account at **£6.3 million**, this is based on 10% of gross expenditure (in the fund account) as at March 2025.
- We have also determined a performance materiality for the fund account at **£4.725 million**, this is based on 75% of the lower headline materiality.
- The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which our overall headline materiality will be applied. We have revised the fund account materiality as a result of an increase in gross expenditure within the 2025 financial year.

Our approach to materiality (continued)

A summary of our approach to determining materiality is set out below.

Description	Amount (£)	Qualitative factors considered
Materiality for the financial statements	21,800,000	In determining materiality, we have considered the following key factors: - Business environment: the Pension Fund operates in a generally stable, regulated environment. - Other sensitivities: there has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced. This benchmark is determined as a percentage of the Fund's Net Assets, and headline materiality equates to 1.2% of the Gross Investment Assets at 31 March 2025. Note that our firm approach is that materiality for the PF financial statements as a whole should not exceed the Administering Authority auditor's materiality once the share of assets is taken into account, we have therefore taken into account the materiality of the PF's Administering Authority in determining materiality which has resulted in the value being capped at 1.2%.
Performance materiality	16,300,000	We determine a lower performance materiality as an amount less than materiality for the financial statements as a whole (i.e. planning materiality) to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In determining performance materiality, the main considerations are our view and understanding of the pension fund control environment, whether there have been significant levels of errors in prior year audits. There is not a history of significant deficiencies or a high number of deficiencies in the control environment, and in prior years there have not been a large number or significant misstatements identified. Our performance materiality is therefore calculated at 75% of our headline materiality.
Trivial matters - reporting threshold	1,000,000	We are obliged to report uncorrected omissions or misstatements other than those which are "clearly trivial" to those charged with governance. We have calculated our "clearly trivial" threshold as 5% of the headline materiality.
Specific materiality for the fund account	6,300,000	This benchmark is determined as a percentage of the Fund's expenditure, which has been determined as 10%.
Specific materiality for the fund account	4,725,000	Performance materiality is based on a percentage (75%) of the overall materiality of the fund account. The key considerations in determining this percentage are the same as those for our headline performance materiality.

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	●
Valuation of Private Equity Investments (Level 3)	Significant	↔	✗	High	●
Valuation of Direct Property Investments (Level 3)	Significant	↔	✗	High	●
New System Implementation - Incomplete or inaccurate transfer of data to the new ledger.	Significant	↔	✗	Low	●
Valuation of Level 2 Investments	Other	↔	✗	Medium	●
Actuarial Present Value of Promised Retirement Benefits disclosure – IAS 26	Other	↔	✗	High	●
Benefits payable	Other	↔	✗	Low	●
Contributions receivable	Other	↔	✗	Low	●

↑ Assessed risk increased since audit plan	● Work complete, not likely to result in material adjustment or change to disclosures within the financial statements
↔ Assessed risk consistent with audit plan	● Work not yet complete, potential to result in material adjustment or significant change to disclosures within the financial statements
↓ Assessed risk decrease since audit plan	● Issues with work completed to date, likely to result in material adjustment or significant changes to disclosures within the financial statements

Significant risks

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

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

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	As part of our audit procedures, we have: 1. Evaluated the design effectiveness of management controls over journals; 2. Analysed the journals listing and determine the criteria for selecting high risk unusual journals; 3. Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; 4. Challenged management’s key accounting estimates, judgements and decisions; considering whether these judgements and estimates are individually or cumulatively indicative of management bias.; and 5. Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	We have noted no material adjustments or findings in relation to management override of controls. We are also satisfied that the judgements made by management are appropriate and have been determined using consistent methodology. Conclusion There are no matters to bring to your attention in relation to this risk.

Significant

Significant risks

Risk identified

Presumed risk of fraud in revenue recognition

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

Audit procedures performed

We have completed a risk assessment of all revenue streams for the Fund. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of public sector bodies, including the Royal Borough of Kensington and Chelsea Fund, mean that all forms of fraud are seen as unacceptable.

Therefore, we do not consider this to be a significant risk for the Pension Fund and therefore, only standard audit procedures were carried out.

Key Observations

We have kept this rebuttal under review throughout the audit to ensure that the judgement has remained appropriate.

To date no information has been noted to indicate that this judgement is no longer appropriate, and no issues have been identified with the revenue recorded by the Pension Fund.

Risk of fraud in expenditure recognition

Practice Note 10 (PN10) states that as most public bodies are net spending bodies, the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.

We have completed a risk assessment of all expenditure streams for the Fund. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk, because:

- here is little incentive to manipulate expenditure recognition;
- opportunities to manipulate expenditure recognition are very limited; and
- the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable.

Therefore, we do not consider this to be a significant risk for the Pension Fund and therefore, only standard audit procedures were carried out.

We have kept this rebuttal under review throughout the audit to ensure that the judgement has remained appropriate.

To date no information has been noted to indicate that this judgement is no longer appropriate, and no issues have been identified with the expenditure recorded by the Pension Fund.

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Valuation of Private Equity Investments (Level 3) The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant accounting estimate by management in the financial statements due to the size of the balance (£132.5 million) as at 31 March 2025 and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of Level 3 investments as a significant risk. Significant Relevant assertion(s) Valuation, Existence Applicable assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Evaluated management's processes for valuing Level 3 investments; 2. Obtained and reviewed the audited financial statements of the investments. Where these were at a different reporting date to the Fund's financial statements the valuations have been compared, accounting for cashflows between the date of the financial statements and the 31 March 2025; 3. Obtained and reviewed the corresponding investment manager report as at 31 March 2025 comparing the balance with the Fund's financial statements; 4. Reviewed purchase and sale transactions of the investments near the reporting date, where appropriate; 5. Reviewed the guidelines under which the investments have been valued at the date of the investment accounts and the Fund accounts; 6. Reviewed management's classification of the assets; and 7. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate.	We have noted no material adjustments or findings in relation to the valuation of level 3 private equity investments. We have noted a £4.3 million under-statement in respect of the valuation of level 3 private equity investments. This is due to timing differences between the production of the accounts and investment manager confirmations, which come through later. Further information on this can be found within the Unadjusted Misstatements section of this report. We are satisfied that judgements made by management are appropriate and the valuations have been determined using consistent methodology. Conclusion There are no further matters to bring to your attention in relation to this risk.

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Valuation of Direct Property Investments (Level 3) The valuations of directly held property are a significant accounting estimate and hence there is a risk of material misstatement due to error. We pinpoint this risk to the key inputs into the valuation including rental values and yield rates. The Pension Fund have investments in Directly Held Property and these have been valued by management’s expert. These valuations represent a significant accounting estimate by management in the financial statements due to the size of the balance (£235 million) as at 31 March 2025 and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of direct held property as a significant risk. Significant Relevant assertion(s) Valuation, Existence Applicable assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Evaluated management's processes for valuing directly held property investments; 2. Obtain and reviewed the valuation report provided by management’s expert; 3. Used our own auditor’s expert to assist with review of the report and challenge of the Fund’s valuer; 4. Reviewed the methodology and assumptions used in the valuation; 5. Reviewed the movement in valuation from the prior year where appropriate; and 6. Reviewed and tested the key inputs and significant assumptions used as part of the valuation for a sample of assets.	We have noted no material adjustments or findings in relation to the valuation of level 3 direct property investments. We have noted a £5.4 million under-statement in respect of the valuation of level 3 direct property investments. This is due to the differences between the draft valuation report provided in April, used for the production of the accounts and the final valuation report, provided after ledger close. Further information on this can be found within the Unadjusted Misstatements section of this report. We are satisfied that judgements made by management are appropriate and the valuations have been determined using consistent methodology. Conclusion There are no further matters to bring to your attention in relation to this risk.

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
New System Implementation - Incomplete or inaccurate transfer of data to the new ledger The Council implemented Oracle, the new Enterprise Resource Planning (ERP) system, from 1 April 2025. This transition will impact the 2024/25 pension fund financial statements, as the year end data will transfer from SAP to Oracle and the Council’s closing process and compilation of the financial statements will be completed on Oracle. Key finance data is transferred from the legacy financial system SAP into Oracle. This involves receiving transaction records from HCC stored in excel/csv spreadsheets, transforming data through a Middleware Solution, and subsequently uploading the data into Oracle using Version 1 (Systems Implementation partner). With transfers of data between systems there is always a risk over the completeness and accuracy of the transfer. This risk is heightened by the necessity for manual data manipulation during the transfer process.	As part of our audit procedures, we have: 1. Obtained an understanding of the process implemented for the new system implementation; 2. Used our IT audit specialists to assist with auditing the data migration; and 3. Performed completeness and accuracy reconciliation checks on data migration by comparing the transactions and balances within the predecessor (SAP) and new (Oracle) IT systems. 4. Reviewed and tested the journals control environment on the Oracle system.	We have reviewed and tested the reconciliation of balances from the SAP system onto the Oracle Ledger and are satisfied that the transfer was complete. Within the testing on the accuracy of the transferred data, no issues have been noted. Conclusion There are no matters to bring to your attention in relation to this risk.

Significant

Other risks

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an ‘other risk’ is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk identified	Audit procedures performed	Key observations
Valuation of level 2 investments Level 2 investments do not carry the same level of inherent risks associated with level 3 investments, however there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. As a result, the valuation of the Fund’s Level 2 investments have been identified as ‘other risk’ of material misstatement. SCOT+ Relevant assertion(s) Existence, Valuation Applicable assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Gained an understanding of the Fund’s process for valuing Level 2 investments; 2. Reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; 3. Agreed the valuation to the confirmation received from the investment manager and custodian; 4. Reviewed the reconciliation of information provided by the individual fund manager’s custodian and the Pension Scheme’s own records and sought out explanations for any variances; 5. Reviewed management’s classification of investments in the fair value hierarchy; and 6. Tested a sample of the underlying investments to quoted prices; and 7. Obtained and reviewed a service auditor’s report on internal controls for the custodian.	We have noted no material adjustments or findings in relation to level 2 investments. We are also satisfied that the judgements made by management are appropriate and have been determined using consistent methodology. Conclusion There are no matters to bring to your attention in relation to this risk.

Other risks (continued)

Risk identified	Audit procedures performed	Key observations
Actuarial present value of promised retirement benefits disclosure – IAS 26 The disclosure of the Fund’s Actuarial Present Value of Promised Retirement Benefits is an accounting estimate (net asset of £838 million as at 31st March 2025) and is sensitive to changes in key assumptions. The Pension Fund engage the services of a qualified actuary to develop an IAS 26 compliant estimate of the disclosure. As a result, the disclosure of the Fund’s Actuarial Present Value of Promised Retirement Benefits have been identified as ‘other risk’ of material misstatement. SCOT+ Relevant assertion(s) Accuracy, Presentation Applicable assertion(s) None Planned level of control reliance None	As part of our audit procedures, we have: 1. Updated our understanding of the processes and controls put in place by management to ensure that the Fund’s Actuarial Present Value of Promised Retirement Benefits is not materially misstated; 2. Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary’s work; 3. Assessed the competence, capabilities and objectivity of the actuary who carried out the Fund’s valuation; 4. Assessed the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; 5. Tested the consistency of disclosures in the financial statements with the actuarial report from the actuary; and 6. Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performed additional procedures suggested within the report.	We have noted no material adjustments or findings in relation to the actuarial present value of promised retirement benefits disclosure (IAS 26). We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology. Conclusion There are no matters to bring to your attention in relation to this risk.

Other risks (continued)

Risk identified	Audit procedures performed	Key observations
Benefits Payable Pension benefits payable represents a significant percentage of the Fund’s expenditure. SCOT+ Relevant assertion(s) Accuracy Applicable assertion(s) Completeness, Occurrence, Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; 2. Gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls; 3. Tested a sample of lump sums and associated individual pensions in payment by reference to member files; and 4. Tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and pension increases applied in year to ensure that any unusual trends are satisfactorily explained.	We have noted no material adjustments or findings in relation to the benefits payable balance. Conclusion There are no matters to bring to your attention in relation to this risk.

Other risks (continued)

Risk identified	Audit procedures performed	Key observations
Contributions receivable Contributions from employers and employees represents a significant percentage of the Fund's revenue. SCOT+ Relevant assertion(s) Completeness Applicable assertion(s) Accuracy, Occurrence, Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Evaluated the Fund's accounting policy for recognition of contributions for appropriateness; 2. Gained an understanding of the Fund's system for accounting for contribution income and evaluate the design effectiveness of the associated controls; 3. Tested a sample of contributions to payslips to ensure the employee and employer rates are being correctly applied; and 4. Tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pay and the number of contributing employees and ensured that any unusual trends are satisfactorily explained.	We have noted we have noted no material adjustments or findings in relation to the contributions receivable balance. Conclusion There are no matters to bring to your attention in relation to this risk.

Other findings – key judgements and estimates

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

Summary of management's approach

Level 3 Private Equity investments - £132.5 million

The Pension Fund has investments in Private Equity that total **£132.5 million** on the net assets statement at year-end.

These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. To determine the value, management rely on the valuations provided by the investment managers.

In order to determine the value, management relies on information provided by Adams Street, who prepare valuations in accordance with the International Private Equity and Venture Capital Valuation Guidelines and produce accounts to 31 December 2023 which are audited. Service auditor reports are obtained for the Fund Manager (Adams Street).

Audit comments

In response to management's approach, we have:

1. Completed an assessment of management's expert – the custodian
2. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison
3. Ensured consistency of the investment management report with the financial statements
4. Compared the valuation to purchase and sale transactions of the investment near the reporting date (where appropriate)

(continued overleaf)

Other findings – key judgements and estimates (continued)

Audit comments (continued)

5. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts
6. Considered the completeness and accuracy of the underlying information used to determine the estimate
7. Considered the impact of any changes to valuation method from the prior period
8. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate

Additionally, the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements.

We did identify a **£4.3 million** under-statement in respect of the valuation of level 3 private equity investments because of timing differences between the production of the accounts and investment manager confirmations, which come through later. Further information can be found in Unadjusted Misstatements.

Assessment

● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment Key

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

Other findings – key judgements and estimates

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

Summary of management's approach

Level 3 Directly Held Property - £235.4 million

The Pension Fund has investments in Directly Held Property that total **£235.4 million** on the net assets statement at year-end. This is comprised of 15 commercial properties which are rented out to businesses. During the year, 4 commercial properties were acquired and added to the Fund's portfolio, these comprised of Hotels, Office Space and Industrial Units.

The Pension Fund engaged Sanderson Weatherall to complete the valuation of these properties as at 31 March 2025, on a fair value basis.

The value of the investment has increased by **£68 million** in 2024/25, largely due to the four properties that were acquired during the course of the financial year with total purchase price of **£72 million**.

Audit comments

In response to management's approach, we have:

1. Completed an assessment of management's expert – Sanderson Weatherall. The valuer has correctly prepared the valuation using fair value methodology.
2. Engaged our own valuation specialist, Wilks Head and Eve, to provide a commentary on the instruction process for Sanderson Weatherall, the valuation methodology and approach.
3. Completed testing of the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate.
4. Agreed the valuation reports provided by management's experts to the financial statement.

(continued overleaf)

Other findings – key judgements and estimates (continued)

Audit comments (continued)
Additionally, the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements. We did identify a £5.4 million under-statement in respect of the valuation of level 3 direct property investments. This is due to the differences between the draft valuation report provided in April used to produce the accounts and the final valuation report, provided after ledger close. Further information can be found in Unadjusted Misstatements.

Assessment
● [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Assessment Key

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

Other findings – key judgements and estimates (continued)

Summary of management's approach

Level 2 investments - £1,359.4 million

The Pension Fund has investments in Pooled Global Equity Investments that total **£1,349.5 million** on the net assets statement at year-end and Pooled Property Funds totalling **£9.9 million**.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not traded on an open market, and the valuation of the investment is highly subjective due to a lack of observable inputs. To determine the value, management rely on the valuations provided by the investment managers.

The value of the investment has increased **£30.7 million** in 2024/25, largely due to changes in market value during the year.

Audit comments

In response to management's approach, we have:

1. Completed an assessment of management's expert – custodian
2. Ensured consistency of the investment management report with the financial statement
3. Compared the valuation to purchase and sale transactions of the investment near the reporting date (where appropriate)
4. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund account

(continued overleaf)

Other findings – key judgements and estimates (continued)

Audit comments (continued)
5. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate 6. Evaluated the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices where appropriate Additionally, the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements. No issues have been noted with the testing completed in this area.

Assessment
● [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Assessment Key

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

Other findings – Information Technology

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

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
SAP General ledger	ITGC assessment (design and implementation) ISAE 3402 controls report review.	 Green	 Green	 Green	 Black	Relates to management override of controls.
Altair (Pensions administration system)	ITGC assessment (design and implementation) ISAE 3402 controls report review.	 Green	 Green	 Green	 Black	Relates to all line items in relation to Member Data.

Assessment:

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

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Transparency Committee. We have not been made aware of any other incidents in the period, and no other issues have been identified during the course of our audit procedures
2	Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations, and we have not identified any incidences from our audit work
4	Written representations	A standard letter of representation has been requested from the Pension Fund. The letter is included within the Audit and Transparency Committee papers.
5	Confirmation requests from third parties	We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted, and the requests were sent. All requests were returned with positive confirmation.
6	Disclosures	Our review found no material omissions in the financial statements
7	Audit evidence and explanations	All information and explanations requested from management was provided.
8	Significant difficulties	We have not identified any significant difficulties with obtaining evidence to support transactions and balances within the financial statements.

Other communication requirements (continued)

Going Concern

Our responsibility

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

Commentary

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10.

(continued overleaf)

Other communication requirements (continued)

Going Concern

Commentary (continued)

The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the Pension Fund and the environment in which it operates
- the Pension Fund's financial reporting framework
- the Pension Fund's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	The Pension Fund is administered by Royal Borough of Kensington and Chelsea (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified with the councils AGS or Narrative Report, we are however awaiting the publication of the Pension Fund’s Annual report ahead of issuing this opinion.
Matters on which we report by exception	We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until 1 December 2025 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.

Adjusted misstatements

Our audit procedures have not identified any adjusted misstatements impacting either the Pension Fund Account, or the net asset statement. We will provide an update to management and those charged with governance should this change during the course of our remaining procedures.

Adjusted disclosure misstatements

We have recorded the following disclosure misstatements which have been updated within the accounts throughout the audit process:

Disclosure misstatement	Response
Note 13 - Investments exceeding 5% of Net Assets We noted as part of the review of the accounts that this note was looking at the Fund Managers with Investments exceeding 5% of Net Assets instead of focusing on the specific investments, as per required by the CIPFA Code.	Management has agreed to update the accounts to ensure the correct holdings are included in the final set of accounts.
Note 20 - Actuarial Present Value of Promised Retirement Benefits 1 error has been noted where the demographic assumptions for those retiring in 20 years had not been updated appropriately in line with the IAS 26 report. Audit team have challenged the client to understand why this is not in line with the IAS26 Actuarial Report as at 31 March 2025. Client have confirmed that this was due to error and will be updated accordingly in the final version of accounts.	Management has agreed to update the accounts to ensure the correct assumptions are included in the final set of accounts.
Minor Disclosure Amendments Detailed review of the financial statements during the audit identified some disclosure errors which have been updated within the final accounts, these included incorporating additional tables for further disclosure, additional accounting policies and changes to some narrative, as well as the updated on typographical errors.	Management has agreed to update the accounts to add in the additional disclosures, policies and update narrative, these are included in the final set of accounts.

Unadjusted misstatements

This is a summary of unadjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

Ref.	Detail	Pension Fund Account		Net Asset Statement £'000			Reason for not adjusting
		Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000	
	Total net assets per final accounts					1,826,052	
	Private Equity Valuations						
1	We have identified a £4.3 million understatement on total private equity level 3 investments. This is due to the timing differences, as the investment managers statements as at 31/03/2025 are not available until after the accounts have been produced and thus the values in the accounts are based on values at the end of December 2024.	-	(4,310)	4,310	-	4,310	Immaterial difference, due to timing.
	Direct Property Valuations						
2	There is a £5.4 million difference within the Level 3 directly held properties balance between the valuer's report and accounts. The total value on Accounts is £235.375 million , while the total value on the valuer's report is £240.780 million . This is due to the differences between the draft valuation report provided in April used to produce the accounts and the final valuation report, provided after ledger close. Audit team have agreed the valuations used within the accounts to the draft report as part of work completed but note that the final valuation should be used for the purpose of the accounts.	-	(5,405)	5,405	-	5,405	Immaterial difference, due to timing.
	Total Impact of Unadjusted Misstatements	-	(9,715)	9,715	-	9,715	
	Total net assets – recalculated to include unadjusted misstatements					1,835,767	

Unadjusted misstatements (continued)

Unadjusted disclosure misstatements

We have recorded the following disclosure misstatements which have not been updated within the accounts throughout the audit process:

Disclosure misstatement	Auditor recommendations
Note 18 – Contractual Commitments The client has reported outstanding commitments related to Adams Street private equity funds as at 31 December 2024 as opposed to the position at 31 March 2025. This is due to the unavailability of March valuations for private equity at the time of publishing the unaudited financial statements. A review of the subsequently received March valuation for private equities shows that the outstanding commitments as of 31 March is \$85.7 million / £66.4 million. The difference between the commitment amount disclosed in the financial statements and the amount that was supposed to be disclosed is £4.7 million.	Audit team have understood that this disclosure is due to timing differences and accept that the information to the 31st March is unavailable at the time of accounts production. As this is a non-trivial, but immaterial disclosure error it has been reported accordingly. Management response Management note that this is the information used year-on-year due to its availability at the time of accounts production. The difference is immaterial and therefore they are not adjusting.

Action plan

We have identified two recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on this recommendation during the course of the 2025/26 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
1  [Green]	Evidence for Pensioners Dates of Birth Within our Benefits Payable work, we noted that there were instances where the pension fund does not have all files for pensioners who retired a number of years ago, therefore we were unable to evidence their date of birth using official documentation, for our audit purposes signed confirmation forms were used including the date of birth. We note this as a best practice point.	Audit team recommend that where possible all information should be kept on the file for best practice purposes. Management response We acknowledge the audit finding regarding the absence of official documentation for the dates of birth of some pensioners who retired many years ago. Our newly established internal Administration Team is actively working to resolve historic data issues and ensure the accuracy of member records. Where possible, official documentation is obtained or alternative verification methods are formalised for historic records. We will continue to monitor and improve our data management practices to prevent similar issues in the future. For current retirements, the Administration Team ensures that no retirement is processed without verified date of birth documentation.

Assessment key:

-  [Red] High – Significant effect on financial statements
-  [Amber] Medium – Limited effect on financial statements
-  [Green] Low – Best practice

Action plan (continued)

Assessment	Issue and risk	Recommendations
2  [Green]	Undecided Leavers Within our Fund information work we noted a significant number undecided leavers compared to previous years. Upon investigation this was noted as the Pensions admin identified a group of previous leavers in year, whose benefits had been incorrectly calculated and therefore required recalculation. This was because a number of cases were processed as frozen refunds as it was thought they had less than 2 years service, but upon inspection, these members had LGPS benefits elsewhere and therefore needed to be treated as a deferred benefit. They also identified a number of members who they had not been informed had left and therefore had to be processed in year. Upon further inspection of schedules received from employers, they identified members had appropriately dropped off schedules but as they had not been formally informed, they had not been appropriately processed as leavers.	Audit team recommend that some complementary controls are brought in surrounding both calculations and checks for those who have dropped off the schedules to ensure that users have been processed appropriately as leavers. Management response We acknowledge the audit finding regarding cases previously calculated. The Pensions Admin team have introduced more stringent checking, including use of workflows within the admin software and checks of the LGPS National Insurance database, to ensure that all processed cases are checked. The admin team have also introduced reconciliations of monthly schedules received from employers to identify leavers, starters, variations, etc

Assessment key:

-  [Red] High – Significant effect on financial statements
-  [Amber] Medium – Limited effect on financial statements
-  [Green] Low – Best practice

Follow up of prior year recommendations

This is a summary of where we identified recommendations for the Pension Fund because of issues identified during the prior year audit, and an update on actions taken by management as a result.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1 ✓	Journal entries control environment We identified through our review of the journal entry control environment that: • Senior personnel are registered as managers and are theoretically able to post non-balance sheet journal entries • There is no two-stage authorisation process for journal entry postings in place. We have not identified from our testing of journal entries any material misstatements or indications of management override of controls. However, we do not test every journal and there may be undetected fraud or error. Management is satisfied that compensatory controls exist and budget monitoring processes would identify any material instances of unusual activity. Recommendation • Senior personnel should not have access to post journal entries to the ledger as, whilst no postings were made by senior management during the year of audit, this ongoing access possess an increased risk of management override. • It is best practice to include either a manual or automated two-stage approval process for journal entries to evidence that entries have been subject to adequate review prior to posting. Without this approval process we consider that there is increased risk of undetected fraud or error.	We note that throughout our audit year this control environment still existed, however as per our journals testing, we have not noted any instances of either Senior Management posting or any journals that were not manually approved appropriately. With the new Oracle system which has been implemented as at 15th April 2025, we have understood that for the new Oracle system these two points surrounding the control environment no longer apply. We are therefore we are satisfied that the action is completed.

Assessment: ✓ Action completed → Work in progress / Partially addressed ✕ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
2	✓ Trial balance coding Note 12 records cash held at custody as £93.285 million. There is a £4 million difference between the draft financial statements and Trial Balance. This is a historical difference which has been carried forward from previous years and relates to transition of funds for Blackrock. This is a coding issue on the Trial Balance which the Fund cannot amend without causing a market fund movement which does not exist. The Fund hopes to correct this when Oracle ledger is implemented next year. We are satisfied that the financial statements are correct and the £93.285 million agrees to independent confirmation received from the custodian. Recommendation Management should clear the historical difference of £4 million on the trial balance.	As part of the current year journals work the audit team investigated the journal in which this update has been made within the ledger. We are therefore we are satisfied that the action is completed.

- Assessment:
- ✓ Action completed
 - Work in progress / Partially addressed
 - ✗ Not yet addressed

Independence considerations

- Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, we confirm there are no independence matters that we would like to report to you.
- We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

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

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

Fees and non-audit services

Audit fees	£
Audit of Pension Fund	101,962
Total	101,962

The above fees are exclusive of VAT and out of pocket expenses.
The fee of **£101,962** agrees to External Audit Costs as per Note 26 of the financial statements

Our firm also provides audit and non-audit services to the Administering Authority. The fees in relation to these services and the related ethical considerations are reported in the Audit Findings Report issued to TCWG for that entity. Consequently, such fees are disclosed in the Council’s financial statements rather than the Pension Fund’s.

Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		
Non-compliance with laws and regulations		
Unadjusted misstatements and material disclosure omissions		
Expected modifications to the auditor's report, or emphasis of matter		

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

B. Our team and communications

Grant Thornton core team

Matt Dean

Engagement Lead

- Key contact for Audit and Transparency Committee, Chief Executive, and Executive Director of Resources
- Oversees quality control, accounts opinions, and report authorization
- Shares sector knowledge and experience, providing challenge and sharing best practices
- Ensures the audit is tailored to the client and maintains overall audit quality

Ella Connick

Audit Manager

- Manages overall audit, quality assurance, and liaises with the Audit and Transparency Committee, Executive Director of Resources, and finance team
- Reviews the team's work and drafts clear, concise, and understandable reports
- Ensures the delivery of work on the client's arrangements to secure value for money.

Lauren McIver

Audit In-charge

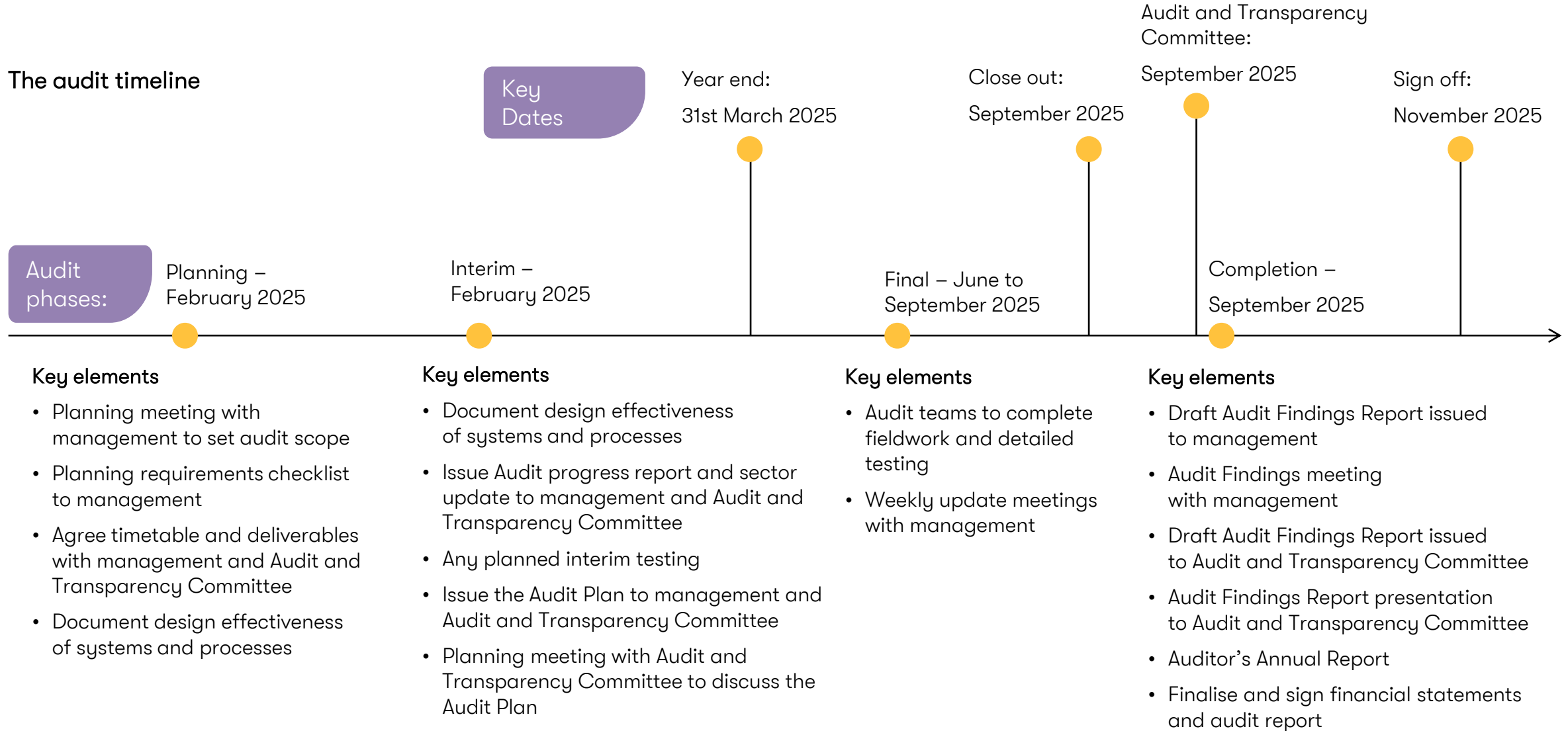
- Supports Audit Manager to ensure early delivery of audit testing and leads on complex accounting issues
- Day-to-day point of contact
- Performs first reviews of the team's work.
- Liaises with key members of the finance team to ensure timely audit testing and reviews.

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Client Surveys	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings Report • Auditor's Annual Report	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

C. Logistics

The audit timeline



D. Audit opinion

In preparing the Pension Fund's financial statements, the Executive Director of Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Audit and Accountability Act 2024 and the Local Government Act 2003, Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).

We enquired of management and the Audit and Transparency Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;

- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

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

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

- journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the fund's financial position, and
- potential management bias in determining accounting estimates and judgements made in respect of the valuation of investment assets.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on entries meeting the criteria determined by the audit team;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of level 3 investments, including direct property investments, and the actuarial present value of promised retirement benefits per IAS 26; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

D. Audit opinion

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

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Executive Director of Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources. The Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

D. Audit opinion

In preparing the Pension Fund's financial statements, the Executive Director of Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Audit and Accountability Act 2024 and the Local Government Act 2003, Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).

We enquired of management and the Audit and Transparency Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;

- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

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

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

- journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the fund's financial position, and
- potential management bias in determining accounting estimates and judgements made in respect of the valuation of investment assets.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on entries meeting the criteria determined by the audit team;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of level 3 investments, including direct property investments, and the actuarial present value of promised retirement benefits per IAS 26; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

D. Audit opinion

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

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

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

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

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

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature**]**

Matthew Dean, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

[Date**]**



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