

Audit Findings (ISA 260) Report for Avon Pension Fund

Year ended 31 March 2025

16th September 2025



Avon Pension Fund
Lewis House
Manvers Street, Bath
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16 September 2025

Dear Members of the Audit Committee

Audit Findings for Avon Pension Fund for the 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.

Beth Bowers

Director
For Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

Headlines

Financial statements

Introduction

These are the key findings and other matters arising from the statutory audit of Avon 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 was completed during June - September. Our findings are summarised on pages 20 to 26.

To date, we have not identified any adjustments to the financial statements that have resulted in an adjustment to the Pension Fund's reported financial position. We have identified 6 disclosure amendments. Details of these audit adjustments are detailed from pages 33-34.

To date, we have identified one unadjusted difference 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 page 33. Management are proposing not to amend the financial statements on the basis that the differences are not material both quantitatively and qualitatively. The Audit Committee will be asked to confirm their agreement to this through the Letter of Representation.

We have also raised recommendations for management as a result of our audit work. These are set out in the Action Plan section of this report (from page 33). Our follow up of recommendations from the prior year's audit are detailed in following this from page 36.

Continued overleaf

Headlines

Financial statements

Audit Work - continued

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [see separate committee item] or material changes to the financial statements, subject to the following outstanding matters:

- conclusion and review of our testing on Level 2 and Level 3 Investments.
- conclusion of our review of the Fund's Draft Annual Report
- final quality checks and review of all work completed to date
- review of the Pension Fund Annual Report;
- receipt of management representation letter (see separate committee item) and
- review of the final set of financial statements.

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

Our anticipated opinion on the financial statements will be unmodified.

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

We issued/propose to issue our 'consistency' opinion on the Pension Fund's Annual Report as soon as possible following the Audit Committee on 24th September 2025.

Headlines

Local & National Context

Local Context

Local Government Pension Scheme: Fit for the future consultation outcome – May 2025 – The Government has decided to reduce the numbers of LGPS asset pools. Brunel Pension Partnership has been deemed unable to meet the newly set minimum pooling standards and must therefore be dissolved. The Pension Fund must make an ‘in principle’ decision as to what provider they will be transferring to, by the end of September 2025. From regular conversations with the Fund, they are on track to meet this deadline, with a formal decision needing to be made by the end of March 2026.

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 in September, well ahead of the statutory deadline.

Financial statements

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.

As auditors 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 Avon Pension Fund, the Audit Committee fulfil 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.

Financial statements (continued)

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 September 2025, as detailed in the separate committee item. Please refer to page 10 for details of outstanding items remaining to conclude the audit.

Acknowledgements

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

Materiality

Our approach to materiality

As communicated in our Audit Plan dated 22 April 2025 (presented at Audit Committee on 30 April 2025) we determined materiality at the planning stage as £102.5m based on 1.7% of Gross Investment Assets as at 30 September 2024. At year-end, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements. Materiality for the Net Assets Statement has remained consistent with the thresholds communicated within the Audit Plan. Using Gross Investment assets as at 31 March 2025 per the draft financial statements as the benchmark for our calculation did not significantly alter the thresholds determined and therefore it is appropriate to use those previously communicated for our final audit. We did revise and update our specific materiality for the Fund Account, details of which can be seen below.

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

Basis for our determination of materiality

- We have determined materiality at £102.5m based on professional judgement in the context of our knowledge of the Fund.
- We have used 1.7% of gross investment assets as at 30 September 2024 as the benchmark for our materiality.
- Reporting of gross investment asset positions is common for pension funds and usually forms part of users' evaluation of performance. On this basis, a benchmark of gross investment assets is most appropriate for the circumstances of the client.
- Using this benchmark is consistent with how materiality has been determined in previous audits. The % of gross investment assets used to determine our materiality threshold has increased from the previous audit. This is in line with sector benchmarking and the risk profile of the Fund.

Performance materiality

- We have determined performance materiality at £76.9m, 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 £5.1m (set at 5% of headline materiality), 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 £30m (PM of £22.5m), this is based on 10% of gross expenditure (in the fund account) as at 31 March 2025. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for the profits and losses on disposal of investments and changes in value of investments as these relate to movements in Investment values and therefore the headline Net Assets statement materiality applies. We have revised the fund account materiality previously communicated in our Audit Plan to the thresholds above upon receipt of the draft financial statements for the year ending 31 March 2025. Due to a significant increase in gross expenditure in comparison to the figure reported as at 31 March 2024, the planning threshold was revised upwards in line with this noted increase.

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 | 102.5m | We considered the proportion of gross assets to the Fund to be an appropriate benchmark for the financial year. In the prior year we used the same benchmark. Our materiality equates to approximately 1% of your gross investment assets as at 30 September 2024. This benchmark is that of most interest to the reader in understanding the Fund's performance over the financial period and therefore is most appropriate for us to base our materiality threshold on this basis. |
| Performance materiality | 76.9m | We have determined this using 75% of materiality. This is considered an appropriate benchmark as we have not identified a history of significant deficiencies in the control environment or a large number of significant misstatements in prior year audits. In addition, the management and finance team remain stable. |
| Specific materiality for the fund account | 30m | Due to the sensitivity of the fund account disclosures to those stakeholders who are admitted members of the Fund, we have determined a lower materiality threshold over the relevant fund account disclosures. |
| Trivial matters - reporting threshold | 5.1m | This is based on 5% of materiality, which we consider to be an appropriate threshold to use in terms of our reporting to the Audit Committee as 'Those Charged with Governance'. |

Overview of audit risks

Overview of audit risks

| 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 Level 3 Investments | Significant | ↔ | ✗ | High | ● |
| The revenue cycle includes fraudulent transactions | Rebutted | ↔ | ✗ | Low | ● |
| The expenditure cycle includes fraudulent transactions | Rebutted | ↔ | ✗ | Low | ● |

- ↑

Assessed risk increased since audit plan

↔

Assessed risk consistent with audit plan

↓

Assessed risk decrease since audit plan
- Not likely to result in material adjustment or change to disclosures within the financial statements

●

Potential to result in material adjustment or significant change to disclosures within the financial statements

●

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 |
|---|---|---|
| <p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <div>Significant</div> | <p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none">1. Evaluated the design and implementation of relevant controls around the financial reporting process.2. Challenged management’s key accounting estimates, judgements and decisions; considering whether these judgements and estimates are individually or cumulatively indicative of management bias.3. Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity.4. Used our data analytic software (‘Inflo’) to interrogate journal entries, with particular focus on those journal entries that exhibited unusual characteristics such as journals with unusual posting combinations, journals that were back-posted or journals that were posted by unusual users. Journal entries identified as high risk were then tested to supporting documentation. | <p>We have noted no material adjustments or findings in relation to management override of controls.</p> <p>We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.</p> <p>Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.</p> <p>Please note the control findings on page 36 in the ‘Action Plan’ section that relate to Agresso. These finding from our IT Audit were considered as part of our testing strategy and execution of Journals testing and no issues were noted with journals posted by privileged accounts.</p> |

Significant risks (continued)

| Risk identified | Audit procedures performed | Key observations |
|--|---|---|
| <p>Valuation of level 3 investments</p> <p>The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.</p> <p>Significant</p> <p>Relevant assertion(s) Valuation, Existence</p> <p>Applicable assertion(s) Rights & Obligations, Presentation</p> <p>Planned level of control reliance None</p> | <p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"> 1. Evaluated the design and implementation of relevant controls of management's process for valuing Level 3 investments. 2. Challenged management's valuation (for a sample – where applicable) of the investments through: <ol style="list-style-type: none"> a) Comparing the valuation to purchase and sale transactions of the investment near the reporting date where available and appropriate. b) Reviewing the audited financial statements of the investment accounts. Where there were different reporting dates, we carried out 'look back tests' to gain assurance on the valuation methods of the investment manager, comparing audit accounts to capital statements and then considering calls and distributions to year end (and indices where appropriate). c) Reviewing the corresponding independently sourced capital statement at 31 March 2025. 3. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts. 4. Challenged management's classification of the assets. 5. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate. | <p>We have noted no material adjustments or findings in relation to the valuation of level 3 investments.</p> <p>We have noted a £23.075m potential overstatement following auditor point estimate comparisons due to differences in recalculation of year end values of sampled investments using audited financial statements and year end fund reporting. More detail on this can be found on page 21, however this is not noted as an unadjusted misstatement as this is an immaterial estimation difference only.</p> <p>We are satisfied that judgements made by management are appropriate and the valuations have been determined using consistent methodology.</p> |

Other findings

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 investments - £1.521bn

The Pension Fund has investments in Hedge Funds, Property, Infrastructure and Private Debt that total £1.521bn on the net assets statement at year-end. 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 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.

The value of these investments have increased by £106m in 2024/25. Level 3 investments represent 26.4% of the total investment assets of the Fund.

Audit comments

In response to management's approach, we have:

1. Evaluated the design and implementation of relevant controls of management's process for valuing Level 3 investments
2. Completed an assessment of management's experts – the investment managers

continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)

3. For a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2025 with reference to known movements in the intervening period.
4. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts
5. Considered the impact of any changes to valuation method from the prior period (where applicable)
6. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate
7. Evaluated the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices where appropriate
8. Challenged management's classification of the assets

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 maximum £23.075m estimated over-statement in respect of the valuation of level 3 investments because of differences in auditor point estimates using audited financial statements in comparison to year end Fund reporting. This included one investment with above trivial estimation difference, which were: GREENCOAT GRI LP (£26.339m over-stated). As this is an immaterial estimation variance and not an error, this is not an unadjusted misstatement in the financial statements, but it is reported for transparency of the work performed.

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 - £4.046bn

The Pension Fund has investments in Equities, Risk Management Strategy, Diversified Return Funds, Multi Asset Credit, Property and Derivatives (Forward FX) that total £4.046bn on the net assets statement at year-end.

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 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.

The value of the investment has decreased by £179m in 2024/25. Level 2 investments represents 70.3% of the total investment assets of the Fund.

Continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments

In response to management's approach, we have:

1. For a sample of investments, tested the valuation by obtaining independent pricing data (where available) and/or reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2025 with reference to known movements in the intervening period.
2. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts
3. Considered the impact of any changes to valuation method from the prior period (where applicable)
4. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate
5. Evaluated the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices where appropriate
6. Challenged management's classification of the assets













Our work in this area found an unadjusted misstatement of £12.227m due to the OAKTREE (LUX) III SA SICAV MUTUAL FUND asset value (understatement) in the Fund's accounts not including unrealised gains. There were no estimation variances greater than triviality to report other than this. As this is not material, no adjustment was proposed. See page 33 for more details.

Assessment

● [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. For further detail of the IT audit scope and findings please see separate ‘IT Audit Findings’ report which can be shared on request – this has been discussed and agreed with Management.

| IT application | Level of assessment performed | Overall ITGC rating | ITGC control area rating | | |
|------------------|---|---|---|---|---|
| | | | Security management | Technology acquisition, development and maintenance | Technology infrastructure |
| Agresso | Detailed ITGC assessment (design effectiveness) |  |  |  |  |
| Altair | Detailed ITGC assessment (design effectiveness) |  |  |  |  |
| Active Directory | Detailed ITGC assessment (design effectiveness) |  |  |  |  |

Details on Non-significant deficiencies identified relating to Agresso will be discussed in the Action Plan section of the report.

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

Communication requirements and other responsibilities

Other communication requirements

| | Issue | Commentary |
|---|---|---|
| 1 | Matters in relation to fraud | <ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit 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 | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> A letter of representation has been requested from the Pension Fund, which is included within the Audit Committee papers. |
| 5 | Confirmation requests from third parties | <ul style="list-style-type: none"> We requested from management permission to send confirmation requests to all of the fund managers that work with the Fund and all banking institutions that management. This permission was granted and the requests were sent, of these requests all were returned with positive confirmation. |
| 6 | Disclosures | <ul style="list-style-type: none"> Our review found no material omissions in the financial statements |
| 7 | Audit evidence and explanations | <ul style="list-style-type: none"> All information and explanations requested from management were provided. |

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.
- The fact that the Fund's investment pooling arrangement with Brunel Pensions Partnership has been instructed to be wound down does not impact the Fund's ability to operate or continue as a Going Concern and adequate disclosure of these events has been made in the accounts also.

Other responsibilities

| Issue | Commentary |
|---|--|
| Other information | <p>The Pension Fund is administered by Bath & North East Somerset Council (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p> |
| Matters on which we report by exception | <p>We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our ‘consistency’ opinion on the Pension Fund’s Annual Report as soon as practically possible after the Audit Committee on 24 September 2025.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p> |

Audit adjustments

Adjusted misstatements

This is a summary of adjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance. There were no audit adjustments found that impacted the Fund Account or Net Asset Statement. All disclosure amendments either above our triviality threshold or deemed reportable have been set out below and overleaf.

| Disclosure misstatement | Detail | Auditor recommendations |
|---------------------------------|---|---|
| Accounting Policy 1.28 | The policy states an infrastructure investment balance of £676m. This was inconsistent with the figure for infrastructure found in Note 10 of the accounts, which was £746m. This also affected the total of the effect if actual results differ from assumptions, changing the figure from £106m to £113m (sensitivity analysis).. | <p>For consistency within the accounts, we recommend that the figures be corrected in Note 1.28. There was no impact on the other Notes to the accounts as these figures were displayed correctly in the draft statements.</p> <p>Management response</p> <p>These figures have been updated and are consistent in the final version of the accounts.</p> |
| Accounting Policy 1.32 | The inclusion of IFRS 16 in the 'Accounting Standards that have been issued but not yet adopted' was factually incorrect as this policy had been widely adopted in Local Government accounts from 1 April 2024. | <p>We recommend the fund revise the content of this policy and ensure it is factually correct</p> <p>Management response</p> <p>The accounting policy has been removed from the accounts. The Fund have assessed the requirements of IFRS 16 and have deemed this not relevant to the Fund as they have no assets as a lessee and therefore no further disclosure is required.</p> |
| Note 2 - Membership Data | It was noted that we could not reconcile the totals disclosed easily to the benefits payable listing in terms of number of individuals receiving pension benefits. It was discovered that the Membership Data disclosed is the totals number of pensions payable (i.e. individual pay references), rather than number of individuals. | <p>This disclosure is reasonable in line with the CIPFA Code, however we recommend that clarity is added in the accounts so that the reader can understand the information that the note is displaying.</p> <p>Management response</p> <p>Further detail has been added to this note to clarify the content of the disclosure.</p> |

Adjusted misstatements

| Disclosure misstatement | Detail | Auditor recommendations |
|---|--|---|
| Note 7 – Management Expenses | The breakdown of the make up of audit fees within this note was not easily reconcilable to the figures in the Audit Plan and we challenged management to update the narrative to ensure this was understandable for both the auditor and reader. | <p>We recommend that the detail around audit fees is updated for clarity around the make up of the total seen in the table and to differentiate between costs relating to scale fees, fee variations and other fees, as well as which year these relate to.</p> <p>Management response</p> <p>The narrative in Note 7 has been amended to ensure this is clearer.</p> |
| Note 19 – Related Parties | The audit team were unable to agree the fact stated in the note that 4 members of the Pension Board were members of the LGPS during 2024/25. | <p>We recommend the Fund revise the note to display the actual number of Pension Board members that were members of the LGPS in 2024/25, which was 5.</p> <p>Management response</p> <p>The note has been updated to reflect the fact that 5 members of the Pension Board were members of the LGPS in 2024/25.</p> |
| Note 20 – Key Management Personnel | Due to changes in key management in 2024/25, in particular the S151 position at the Council, we challenged management on the clarity of the note, including the roles of the individuals disclosed. The note states that the S151 officer is not included in this note, which is correct, however Jeff Wring, who is included in the note for the role they held in the year ended 31 March 2025, became interim S151 officer on 1st April 2025. | <p>We recommend that the narrative in Note 20 be revised to ensure clarity and transparency for the reader.</p> <p>Management response</p> <p>To ensure transparency in this disclosure, the narrative in Note 20 has been updated to:</p> <p>"The key management personnel of the Fund are those persons having the authority and responsibility for planning, directing and controlling the activities of the Fund, including the oversight of these activities. The key management personnel of the Fund are the Head of Pensions and the Director of Financial Services, Assurances and Pensions. It does not include the Executive Director - Resources (S151).</p> <p>The Director of Financial Services, Assurances and Pensions was appointed as Interim S151 from 1st April 2025 to 31st December 2025. In this capacity he has approved these accounts. He will be included again in this note next year."</p> |

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.

| Detail | Fund Account | | Net Asset Statement £'000 | | Impact on total net assets £'000 | Reason for not adjusting |
|--|--------------|--------------|---------------------------|--------------|----------------------------------|--------------------------|
| | Debit £'000 | Credit £'000 | Debit £'000 | Credit £'000 | | |
| Total net assets per final accounts | | | | | 5,786,286 | |
| Differences identified between the value of level 2 Investments disclosed in the financial statements and the capital statements as at 31 March 2025. £12.227m of Unrealised gains were not captured within the Fund's total, but were present in the Capital Account Statement and Custodian reporting, meaning the Fund had understated their assets by this amount for the 'OAKTREE (LUX) III SA SICAV MUTUAL FUND'. There were no other variances of this nature identified. | | 12,227 | 12,227 | | 12,227 | Not material |
| Non-Property Pooled Investment Vehicles | | | 12,227 | | | |
| Profit and loss on disposal of investments and changes in value of investments | | 12,227 | | | | |
| Total net assets – recalculated to include unadjusted misstatements | | | | | 5,798,513 | |

Action plan

We have identified 4 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 these recommendations 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 ● [Amber] | Lack of controls over granting new user access within Agresso - the risk relates to the fact that user access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data. | <p>We recommend that the Council/Fund develop formal user access management procedures to ensure activities are consistently performed, logged and monitored.</p> <p>Management response</p> <p>BANES does have a formal user access procedure when a new user is requested to have Agresso access. The request is actioned via Service Now, and if additional specific access is required (such as Salary access or AP invoice processing) then the relevant approver is contacted to ensure that this access is granted.</p> <p>In this instance the PA of the CEO has been delegated responsibility by the CEO, however, going forward if the request was made by the PA, additional approval will be requested from the CEO.</p> |
| 2 ● [Amber] | Duplicate accounts with privileged level access identified on the Agresso Database - an account with administrative access has the ability to both assign additional access rights to users, and to make changes to a system. Those changes may be appropriate, such as updates to the system, or damaging, such as opening a backdoor for an attacker to access the system. Therefore, every additional administrator causes linear-to-exponential growth in risk. | <p>Management should ensure that end users only have one privileged account per application. This privileged account should be in the user's name rather than a generic name.</p> <p>Management response</p> <p>IT are in the process of migrating IT staff to having separate IT Admin accounts so that their normal accounts do not carry elevated privileges. This is a work in progress which is why there are duplicate accounts currently as the transition is not yet complete.</p> |

Assessment key:

● [Red] High – Significant effect on financial statements

● [Amber] Medium – Limited effect on financial statements

● [Green] Low – Best practice

Action plan

| | Assessment | Issue and risk | Recommendations |
|---|------------|--|--|
| 3 | ● [Green] | <p>No process for proactively reviewing the Altair IT service provider assurance report. Without periodic review and assessment of the independent assessor's report over the third-party service provider's control environment, the following risks are created:</p> <ul style="list-style-type: none"> - Effective controls may not be in place to address all relevant risks to the service provided by the third party. This includes, but is not limited to, applying only approved updates; and - Controls which remain the responsibility of the service users may not be identified and implemented in a timely manner. This includes, but is not limited to, implementing a process to ensure all requests to the provider come through an appropriate local request/approval process. | <p>We recommend that management implement a process to periodically request copies of relevant independent assurance reports available from the vendors. These reports should be reviewed by appropriate members of staff in order to gain assurance that the report appropriately covers the key controls operated by the service provider. The controls are deemed effective based on independent auditor testing all locally operated controls have been implemented. This review should be formally documented along with actioned undertaken based on any exceptions noted.</p> <p>Management response</p> <p>Following a rigid procurement process, the service delivery of Heywoods/Altair was reviewed by APF and independently by BANES IT and Financial Systems. Subsequently a new contract was awarded to Heywood wef April 2025 via Softcat. As part of the contract, regular service reviews are now in place as follows:</p> <ul style="list-style-type: none"> • APF receive monthly performance reports (including service requests) from Heywoods which are monitored by APF and Financial Systems • Monthly informal service calls between Heywoods CRM and APF Business Change Manager and Pensions Operations Manager • Formal quarterly service reviews, which are minuted. Actions are recorded and reviewed on a regular basis. • System upgrades are taken quarterly after UAT testing by Financial Systems and APF. • Quarterly service reviews held with Softcat with APF Business Change Manager and Pensions Operations Manager • Oversight by APF Governance team |

Action plan

| | Assessment | Issue and risk | Recommendations |
|---|------------|---|---|
| 4 | ● [Green] | No timely review or finalisation of IT and Cybersecurity policies. It was noted within the Cybersecurity assessment performed, that 3 policies (Information Security Policy, DP & IG Policy and Acceptable Use Policy) had not been reviewed in line with the dates they were due to be reviewed. It was also noted that the Data Classification Policy had been marked as 'Draft' with no formal approval noted. | <p>We are satisfied that these policies exist, however the administration or review and approval needs to be improved. It is recommended that a formal process should be established to ensure that these policies are reviewed and updated in a timely manner, in accordance with their scheduled review dates.</p> <p>Management response</p> <p>We note that several of the documents listed have not been reviewed within the time set. Some of these documents are not authored and managed by the IT Department, although the department does have input into them. A document management and control process has been put in place covering general IT and especially cyber security documents, as well as documents that are authored by the Information Governance Team. Those identified are scheduled for review and will be updated very soon.</p> |

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 | ✓ | Contributions Receivable - The Finance officer reconciles the LGPS50 with the amounts received in Agresso on a daily basis. The Pensions & Projects Accountant reviews the reconciliations periodically. Upon testing the effective design and implementation of this control, the auditor identified that there is no formal documentation of the control for authorization of reconciliation and journals before they flow into the ledgers. We recommended that the review of the reconciliation and subsequent authorisation is formally documented to allow for a clear audit trail to be viewed. Management agreed with our recommendation. | Reviews have been carried out thrice in 24/25 (once in July, December and March), with a 'light touch' review performed in September due to changing work commitments of the Assistant Finance Manager. This continue to be performed and documented to maintain a clear audit trail in future periods. |
| 2 | ✓ | Bank Reconciliations - There is only one individual who signs off the bank reconciliations. There have been extended periods of leave during 23/24 for this person and as a result the reconciliations were not signed off in a timely manner. We recommended that there is more than one individual that can sign off the bank reconciliation to ensure timely review and resolution of any issues, should they arise and should there be extended periods of leave in future periods. | There are now two individuals who can sign off the bank reconciliation to avoid this issue. |

Assessment:

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

Follow up of prior year recommendations

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|--|---|
| <p>3 →</p> | <p>Inadequate oversight around generic user in Agresso application</p> <p>During the audit, we obtained and inspected the evidence relating to the administration of generic accounts with privileged access within the Agresso application and observed that the access to a generic account [Administrator] is shared between the multiple administrators from Finance systems department. The Council has no controls in place to monitor the appropriateness of the activities performed by the account.</p> <p>Risk:</p> <p>The use of generic or shared accounts with high-level privileges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual.</p> <p>Also, without appropriate audit logging and monitoring, unauthorised activities may not be detected in a timely manner, can go unnoticed, and evidence of whether the attack led to a breach can be inconclusive.</p> | <p>An update to this recommendation was made as a result of the IT Audit work carried out in 24/25 – see recommendation 2 in the ‘Action Plan’ section of this report, where this recommendation supersedes this one.</p> |
| <p>4 →</p> | <p>The audit team would recommend that there should be a functionality in the system where each journal is authorised by an approver before being posted into the ledger. We are aware that retrospective reviews occur monthly, however real-time review would be considered best practice.</p> | <p>Management proposed to investigate if the implementation of this would be practical alongside the Council. BANES are planning to implement a new finance system from 1st October 2026, so no changes are likely before this date.</p> |

Independence considerations

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 and network firms). In this context, we disclose the following to you (which was also disclosed in our audit plan):

| Matter | Potential threats | Safeguards | Conclusion |
|--|-------------------|---|---|
| <p>The Key Audit Partner, Beth Bowers, has a close family member who is an admitted member of the Pension Fund. An internal ethics consultation has been completed, and it has been cleared that there is no threat to independence arising from this and that Beth can continue to fulfil the role of Key Audit Partner on this audit engagement.</p> <p>The Audit Manager, George Amos, has a similar situation, where a close family member also has a pension with the fund, but is no longer an active contributor, nor are they of retirement age at which they would be drawing pension. Consultation was also taken and cleared by ethics, meaning that George can continue to fulfil their role on this audit engagement.</p> | Self Interest | <p>Layers of review and ability to call in further reviewers of work.</p> <p>Confidentiality agreements within contracts.</p> | Appropriate safeguards are in place. There have been no changes to these relation since the consultations were made for the 2023/24 audit and therefore, we deem this conclusion to remain appropriate. |

Independence considerations (continued)

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 and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Fees and non-audit services

The following tables overleaf set out the total fees for non-audit services that we have been engaged to provide or charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

None of the services were provided on a contingent fee basis.

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.

| Audit fees | £ |
|-----------------------------------|---------|
| Audit of Pension Fund (scale fee) | 105,842 |

Detail on fees for audit related non-audit services is detailed overleaf.

Fees and non-audit services

| Audit related non-audit services | £ | Threats identified | Safeguards applied |
|--|---|---|---|
| IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice | <div>8,250 (estimated 2024-25)</div> <div>£8,596 (actual 2023-24)</div> | Self-Interest, Self-Review and Management | <p>Self-Interest – Fee is recurring but not significant compared to the audit of the financial statements as the total estimated fee for this work is £8,250 in comparison to the total proposed fee for the audit of £105,842 and relative to Grant Thornton UK LLP’s turnover overall. The fee is also fixed based on the number of admitted bodies who request an assurance letter. Further, the work is on audit related services and integrated with the testing undertaken as part of the audit. The main self interest threat would arise if we reported weaknesses that would impact the content of these letters to Those Charged With Governance (TCWG) that they then put pressure on us not to report to other auditors that are seeking to rely on the information reported. The safeguard to this would be to have a safeguarding partner review the Audit Findings Report should this instance arise. We therefore are comfortable there is no self-interest threat, the work is undertaken by the same team of individuals as the work considered as work under the Code.</p> <p>Self Review - We have not prepared the financial information on which our assurances will be used by the requesting auditor. Any decisions whether to change controls over, or edits required to, financial information arising from our findings will be a matter for informed management.</p> <p>Management - We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. Informed management understand the operation of systems and can challenge our recommendations as appropriate.</p> <p>We are comfortable that the proposed safeguards are sufficient to mitigate the threats to independence. IAS 19 assurances letter are a standard response that is provided to a number of admitted bodies by pension fund auditors across the country. Summary outcomes of the work are reported to TCWG in the council through audit findings reports and they are aware of the Firm and have the role of overseeing work of external audit. Again, we are satisfied they would be of the view that this is work that external auditors would undertake and they are appropriately informed. Therefore, we are satisfied independence and safeguards appropriate from perspective of objective, reasonable and informed third parties.</p> |

Fees and non-audit services (continued)

| Total audit and audit related non-audit fee | | Total |
|---|--------------------|----------|
| £105,842 | £8,250 (estimated) | £114,092 |

The above fees are exclusive of VAT.

The fees reconcile to the financial statements as follows:

- fees per financial statements – Note 7 - £138k
- £19k scale fee variation from 22/23 that were approved by PSAA and billed in 24/25
- £5k of IAS 19 assurances for 23/24 commissioned and completed in the 24/25 financial year.

Therefore, £114k, plus the two reconciling items above total the £138k disclosed in Note 7.

We are satisfied these reconciling items are reasonable and in line with auditor expectation and are appropriately accounted for as part of the 24/25 costs, due to the total value of these and the fact they were both confirmed within this financial year. As per ‘Audit Adjustments’ section, further narrative has been included in Note 7 to explain the make-up of the audit fees total.





This covers all services provided by us and our network to the Fund, its directors and senior management, that may reasonably be thought to bear on our integrity, objectivity or independence.

Appendices

A. Communication of audit matters with those charged with governance

| Our communication plan | Audit Plan | Audit Findings |
|---|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance | ● | |
| Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks | ● | |
| Confirmation of independence and objectivity | ● | ● |
| A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | ● | ● |
| Significant 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 |
|---|------------|---|
| 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



Beth AC Bowers
Key Audit Partner

- Provides oversight of the delivery of the audit including regular engagement with Audit / Pensions Committees and senior officers.



George Amos
Audit Manager

- Plans and manages the delivery of the audit including regular contact with senior officers



Ananya Mehta
In-charge

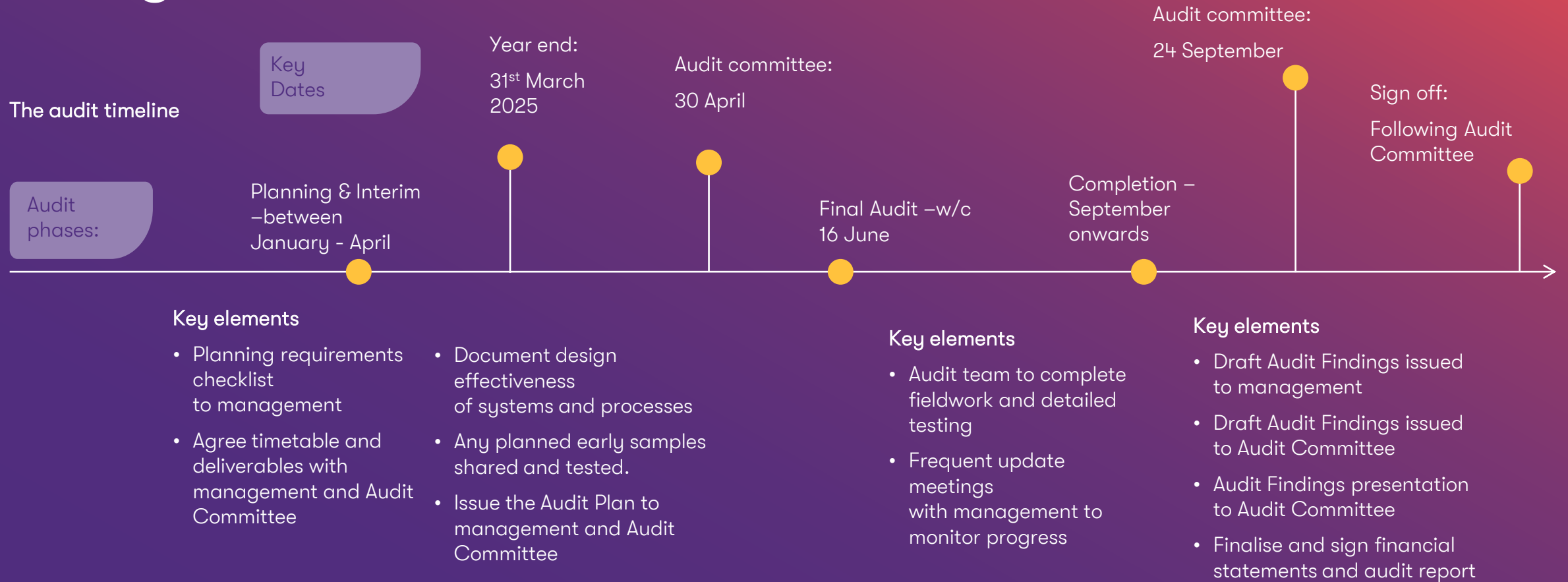
- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Pool of specialists and other technical support (eg IT audit, Digital Audit)

| | Service delivery | Audit reporting | Audit progress | Technical support |
|-------------------------|---|--|---|--|
| Formal communications | <ul style="list-style-type: none">• Client Surveys | <ul style="list-style-type: none">• The Audit Plan• The Audit Findings Report | <ul style="list-style-type: none">• Bi-monthly liaison meetings with Management | <ul style="list-style-type: none">• Technical updates |
| Informal communications | <ul style="list-style-type: none">• Open channel for discussion | | <ul style="list-style-type: none">• Communication of audit issues as they arise• Weekly meetings with the audit team to discuss progress | <ul style="list-style-type: none">• 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



D. Management letter of representation

We have requested a letter of representation from management. The letter includes representations on the unadjusted misstatements as included in this audit findings report.

This had been taken to Audit Committee as a separate agenda item.

E. Audit opinion

See separate committee item for Draft opinion.



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