



# The Audit Findings for Kent County Council Superannuation Fund

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Year ended 31 March 2019  
24 July 2019



Agenda Item 7

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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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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Kent County Council Superannuation Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2019 for those charged with governance.

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## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Pension Fund's financial statements:

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

Our audit work was completed on site during June and July. Our findings are summarised on page 4. We have identified no adjustments to the financial statements. Audit adjustments are detailed in Appendix A. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix B or material changes to the financial statements, subject to the following outstanding matters;

- receipt of management representation letter – see appendix C;
- Receipt of third party confirmations for 1 investment
- review of the Annual Report received on 15 July and
- review of the final set of financial statements.

Our anticipated audit report opinion will be unmodified.

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## Acknowledgements

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

# Summary

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management. As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

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

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

We have not had to alter or change our audit plan, as communicated to you on 24 April 2019

## 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 July 2019, as detailed in Appendix B.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for Kent County Council Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	58,000,000	This has been calculated based upon 1% of your prior year net assets
Performance materiality	43,500,000	This has been calculated as 75% of headline materiality, based upon our assessment of the likelihood of a material misstatement in the financial statements
Trivial matters	2,900,000	This has been calculated based upon 5% of headline materiality.

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p><b>1</b> The revenue cycle includes fraudulent transactions</p>	<p><b>Auditor commentary</b> This risk was rebutted in our Audit Plan and there have been no changes to this assessment</p>
<p><b>2</b> Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p>	<p><b>Auditor commentary</b> We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness</li> <li>• obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness</li> <li>• evaluated the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>
<p>We therefore consider management over-ride of controls, in particular journals, management estimates and transactions outside the normal course of business as a significant risk requiring special audit consideration.</p>	<p>Our audit work has not identified any issues in respect of management override of controls.</p>

# Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
<p><b>3</b></p>	<p><b>Valuation, classification and ownership of Investments</b></p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters.</p> <p>Investments held by the Pension Fund are often complex and require judgment. Level 3 investments by their very nature require a particularly high degree of judgement, but there is risk to reach an appropriate valuation at year end for all the investments. With the Pension Fund having moved a portion of its investments into the new ACCESS pool, this creates additional risk.</p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>gained an understanding of the Fund’s process for valuing investments and evaluated the design of the associated controls</li> <li>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</li> <li>consideration of the competence, expertise and objectivity of any management experts used</li> <li>reviewed the qualifications of the Fund Managers to value investments at year end and gained an understanding of how the valuation of these investments has been reached</li> <li>for a sample of Level 3 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. We also reconciled those values to the values at 31 March 2019 with reference to known movements in the intervening period</li> </ul> <p>Our audit work has not identified any issues in respect of this risk.</p>

# Significant findings - 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).

## Going concern commentary

### Management's assessment process

- Management's Assessment of the Going Concern of the Pension Fund is largely supported by the Triennial Valuations provided by the Fund's independent Actuary, Barnett Waddingham. The most recent Triennial Valuation took place as at the 31 March 2016, and has provided Contribution Rates for the period to 31 March 2020.
- Also the Fund monitors future demands in respect of its cash balances, such as to pay a large bulk transfer. However the Fund can easily liquidate resource from its investments to ensure it is able to make these payments as they fall due.

### Auditor commentary

- The main support to the Fund's assessment that it remains a Going Concern is the assurance provided by the Fund's independent Actuary, Barnett Waddingham. On a triennial basis they are required to value to net asset/liability position of the Fund. On the back of this, they will then set a contribution rate that will enable the Fund to return to a fully funded position by a certain date in the future.
- The most recent Triennial Valuation for the Fund was undertaken as at 31 March 2016, and details of this can be seen within the Accounts and Annual Report. The results of this Valuation confirmed that the Fund was 89% funded, which compared to 83% as at 31 March 2013. This shows that the Fund is in a relatively strong position, and contribution rates have been set for the next 17 years to return the Fund back to 100% funding.
- This position is monitored by the Actuary in the intervening years as well, so that rates can be potentially altered in year if needed, although this hasn't occurred since the 2016 Valuation. Other items such as bulk transfers can impact on the Cash position of the Fund, although these are always reviewed by the Actuary to ensure sufficient cash flow is available to fund the transfer if needed. No bulk transfers occurred in 2018-19.

## Concluding comments

### Auditor commentary

- Based on the audit work performed, we are satisfied that no additional disclosures relating to going concern are required within the Accounts.





# Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view
<p><b>1</b> Significant events or transactions that occurred during the year :</p> <ul style="list-style-type: none"> <li>- <i>Woodford Investments</i></li> </ul>	<ul style="list-style-type: none"> <li>On 3 June 2019, dealing in the Woodford equity fund, in which the Pension Fund has a holding, was suspended to provide for adequate liquidity in the fund.</li> <li>This means that the Pension Fund is not able to access the funds, and will not be able to do so until the suspension is lifted.</li> </ul>	<ul style="list-style-type: none"> <li>We discussed the suspension with Pension Fund management and reviewed their consideration of the potential impact.</li> <li>Appropriate additional disclosure has been included in the financial statements with regards the suspension.</li> </ul>
<p><b>2</b> Significant events or transactions that occurred after the year end:</p> <ul style="list-style-type: none"> <li>- <i>McCloud judgement</i></li> </ul>	<ul style="list-style-type: none"> <li>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</li> <li>In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges and fire fighters' schemes as part of the reforms amounted to unlawful discrimination.</li> <li>As a result of the ruling, and confirmation that it is not possible to appeal it, the actuary was requested to produce an impact assessment based on the current information relating to the fund and provided centrally by GAD.</li> </ul>	<p><b>Auditor view</b></p> <ul style="list-style-type: none"> <li>We discussed the potential impact with Pension Fund management and reviewed the IAS26 impact assessment produced by Barnett Waddingham.</li> <li>This identified a material impact on the pension liability and would increase the total liabilities at 31 March 2019 would by 0.7% of liabilities (which equates to £70,512,000).</li> <li>This has resulted in amendment to the disclosure included in the financial statements.</li> </ul>



# Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment
<p><b>Level 3 investments</b></p> <p>The Pension Fund has investments in those categorised as level 3 for valuation purposes. In total these are valued on the balance sheet as at 31 March 2019 at £150,015k. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management obtains valuations from external fund managers. The value of the investment has increased by £21.1m in 2018/19, mainly due to the an increase in the value of the underlying investments.</p>	<p>We have assessed the management expert's appointed by the Pension Fund for their competency, capability and objectivity. We have reviewed the basis on which the investment valuation is calculated and found it is appropriate.</p>	
<p><b>Level 2 investment</b></p> <p>The Pension Fund has investments in those categorised as level 2 for valuation purposes. In total these are valued on the balance sheet as at 31 March 2019 at £3,362,764,000. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management obtains valuations from external fund managers, and the custodian. The value of the investment has increased by £2.625m in 2018/19, mainly due to the transfer of investments into the ACCESS funds which meant investments previously held in funds classified as Level 1 are now included in Level 2.</p>	<p>We have assessed the management expert's appointed by the Pension Fund for their competency, capability and objectivity. We have reviewed the basis on which the investment valuation is calculated and found it is appropriate.</p>	

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**Assessment**

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process and key assumptions to be reasonable

## Other communication requirements

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

Issue	Commentary
1 <b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
2 <b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
3 <b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
4 <b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Pension Fund, which is appended.</li> <li>Specific representations have been requested from management in respect of:               <ul style="list-style-type: none"> <li>Woodford Investments suspension</li> <li>McCloud judgement</li> </ul> </li> </ul>
5 <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to fund managers, the custodian and banks. This permission was granted and the requests were sent. To date the majority of these requests were returned with positive confirmation, however 1 request is currently outstanding.</li> </ul>

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## Other communication requirements

Issue	Commentary
<b>6</b>	<p><b>Disclosures</b></p> <ul style="list-style-type: none"><li>• Our review found no material omissions in the financial statements</li><li>• Additional disclosures were added relating to the McCloud judgment and the suspension of dealing in the Woodford Investments holding. This is detailed on page 11.</li></ul>
<b>7</b>	<p><b>Audit evidence and explanations/significant difficulties</b></p> <ul style="list-style-type: none"><li>• All information and explanations requested from management was provided.</li></ul>
<b>8</b>	<p><b>Matters on which we report by exception</b></p> <ul style="list-style-type: none"><li>• 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.</li><li>• Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1<sup>st</sup> December 2019. We received the draft report on 15 July and this is currently under review. 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.</li></ul>

# Independence and ethics

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

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

## Audit and Non-audit related services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified which were charged from the beginning of the financial year to date.

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### Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	23,537	23,537
Additional fees in relation to additional work required for the following issues in 2018-19:		
- McCloud judgement		To be determined
- Provision of enhanced IAS 19 reports to local authority admitted bodies of the Superannuation Fund		To be determined
<b>Total audit fees (excluding VAT)</b>	<b>£23,537</b>	<b>£TBD</b>

# Audit Adjustments

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

## Impact of adjusted misstatements

No adjusted or unadjusted misstatements have been identified from the work performed during the course of the audit with the exception of the adjustment to the pension liability as described on page 8.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Detail
Various	A couple of other minor presentational and disclosure amendments have been processed by the Fund to enhance the presentation of the final set of Accounts

# Audit opinion

We anticipate we will provide the Pension Fund with an unmodified audit report

## Independent auditor's report to the members of Kent County Council on the superannuation fund financial statements of Kent County Council Superannuation Fund

### Opinion

We have audited the financial statements of the Kent County Council Superannuation Fund (the 'pension fund') administered by Kent County Council (the 'Authority') for the year ended 31 March 2019 which comprise the **Fund Account, the Net Assets Statement** and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical

Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance Operations (Acting Deputy s151)'s use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Head of Finance Operations (Acting Deputy s151) has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

### Other information

The Head of Finance Operations (Acting Deputy s151) is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

# Audit opinion

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

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

## Under the Code of Audit Practice, we are required to report by exception

- 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.

## Responsibilities of the Authority, the Head of Finance Operations (Acting Deputy s151) and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities **set out on page(s) x to x**, 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 Head of Finance Operations (Acting Deputy s151). The Head of Finance Operations (Acting Deputy s151) 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance Operations (Acting Deputy s151) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Head of Finance Operations (Acting Deputy s151) is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Kent County Council Governance and Audit committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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

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



# Audit opinion

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

## Use of our report

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

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Paul Dosssett, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
London

Date

# Management Letter of Representation

[\*\*Prepare on client letterhead\*\*]

Our ref: KPF2018-19  
Your ref:

Grant Thornton UK LLP  
Grant Thornton UK LLP  
110 Bishopsgate  
LONDON  
EC2N 4AY

**Rx July 2019**

Dear Sirs



## Kent County Council Superannuation Fund Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Kent County Council Superannuation Fund ('the Fund') for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Fund financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.
- vi. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Fund has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

# Management Letter of Representation

- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. The financial statements have been amended for all material misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.
- xiv. In respect to the McCloud judgement, we have obtained an impact assessment from our actuary and have included the impact as an additional disclosure in the financial statements.
- xv. In respect of the suspension of dealing in the Woodford equity fund, we have assessed the risk to the pension fund and the potential for impairment or risk to redemption. We believe that there is no impact on the value of the investment at 31 March 2019. We believe we have included sufficient disclosure in the financial statement.

## Information Provided

- xvi. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Fund financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and

- c. unrestricted access to persons within the Fund from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xxiv. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xxv. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

# Management Letter of Representation

- i. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Approval**

The approval of this letter of representation was minuted by Kent County Council's Governance and Audit Committee at its meeting on 24 July 2019.

Yours faithfully

Name.....

as  
CG

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of Kent County Council as administering authority of the Kent County Council Superannuation Fund



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