Audit Findings (ISA 260) Report for Merseyside Pension Fund

Year ended 31 March 2025

2 December 2025

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2 December 2025

Dear Members of the Pensions Committee and Audit & Risk Management Committee

Audit Findings for Merseyside 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.

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.

Georgia Jones

Director
For Grant Thornton UK LLP

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Introduction

These are the key findings and other matters arising from the statutory audit of Merseyside 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 and the Pensions Committee.

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, other than liabilities to pay promised retirement benefits after the end of the fund 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.

Audit Work

Our audit work was completed during July-September. Our findings are summarised on pages 9 to 48.

We have not identified any adjustments to the financial statements that have resulted in adjustment to the Pension Fund's reported financial position.

We have identified unadjusted differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2025 and the valuation statements received from the third-party investment managers. We recognise this is primarily driven by timing differences on closing down the financial statements and receipt of these valuation statements. Management are proposing not to amend the financial statements on the basis that the differences are not material both quantitively and qualitatively. The Audit & Risk Management Committee/Pensions Committee will be asked to confirm their agreement to this through the Letter of Representation.

We have also identified disclosure and misclassification adjustments which are detailed, along with unadjusted misstatements, on pages 36 to 40.

We have raised recommendations for management as a result of our IT audit work. These are set out on page 41. Our follow up of recommendations from the prior year's audit are detailed on pages 42 and 43.

Continued overleaf

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Financial statements

Audit Work - continued

Our work is nearing completion, and, to date, there are no matters of which we are aware that would require modification of our audit opinion [Appendix E] or material changes to the financial statements, subject to the following outstanding matters:

- Review of subsequent events up until the point of sign off
- Receipt of signed management representation letter {see Appendix D}; and
- Review of the final set of financial statements and annual report

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.

Whilst our work on the Pension Fund financial statements is substantially complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

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 propose to issue our 'consistency' opinion on the Pension Fund's Annual Report at the same time as we issue our final audit opinion on the Pension Fund financial statement, following the November Audit & Risk Management Committee.

The statutory deadline for the Pension Fund Annual Report to be published is 1 December 2025. We have not issued our opinions before this date, so the Fund will need to publish its Annual Report without our consistency report but with an explanation for the delay on its website.

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

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

For Merseyside Pension Fund, the Audit & Risk Management Committee fulfil the role of those charged with governance. However, the Pensions Committee considers the draft annual report and is part of the overall member oversight process. We have determined they are an appropriate sub-group to communicate with under ISA (UK) 260.)

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; and
- 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 altered our audit plan, as communicated to you on 25 June 2025, to reflect a revision to our determined materiality – please see pages 11 to 13.

Conclusion and Acknowledgements

We have completed our audit of your financial statements, and we anticipate issuing an unqualified audit opinion following the Audit & Risk Management Committee meeting in January 2026 and the completion of the administering authority's audit.

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

Materiality

Our approach to materiality

As communicated in our Audit Plan dated May 2025 we determined materiality at the planning stage as £109.4m based on 1% of Net Investment Assets as at 31 January 2025. At year-end, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements. On receipt of the draft accounts, we revised materiality to £109.1m due to fluctuations in the fund valuation. Whilst the Fund continued to grow in February and early March, market uncertainty around late March caused a fall in valuations at the year-end.

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

Basis for our determination of materiality

- We have determined materiality at £109.1m based on professional judgement in the context of our knowledge of the Fund.
- We have used 1% of net investment assets as at 31 March 2025 as the benchmark for our materiality.
- Our benchmark of 1% was determined through consideration of employer body materiality levels relative to their share of the pension funds net asset.
- We have applied net investment assets as our benchmark due to the Fund's holding of derivative investment assets and liabilities at year end.

Performance materiality

- We have determined performance materiality at £81.8m, this is based on 75% of headline materiality. We have revised the performance materiality due to the actual net investment assets changing from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

Specific materiality for the Fund Account

- As with our headline materiality, we have reconsidered Fund Account materiality upon receipt of the draft financial statements. Expenditure has increased and our view is that this is linked to expected economic activity such as pension increases and not one-off events. We have therefore increased materiality from the £50m reported at the planning stage
- We have determined a lower separate materiality for the fund account at £56.9m, this is based on 10% of gross expenditure (in the fund account) as at March 2025. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied.

Reporting threshold

- We will report to you all misstatements identified in excess of £5.5m, in addition to any matters considered to be qualitatively material.

Our approach to materiality (continued)

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

Description	Amount (£m)	Qualitative factors considered
Materiality for the financial statements	109.1	We have determined materiality for the audit to be £109.1m (equivalent to 1% of net investment assets at 31 March 2025). This is in line with the industry standard and reflects risks associated with the Fund's financial performance and of the investments held.
Performance materiality	81.8	Performance materiality drives the extent of our testing, and this was set at 75% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: • We are not aware of a history of deficiencies in the control environment • There has not historically been a large number of significant misstatements arising; and • Senior management and key reporting personnel has remained stable
Specific materiality for the fund account	56.9	This equates to 10% of 2024/25 gross fund account expenditure. The contribution and benefit structures of the Fund are laid out within statute and through the actuary's triennial valuation report. Information is available and the overall audit approach required is not complex
Trivial matters - reporting threshold	5.5	This equates to 5% of materiality. This is our reporting threshold to the Pensions Committee and Audit & Risk Management Committee for any errors identified.

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	●
Bulk Annuity Policies/Insurance Buy-in	Significant	↔	✗	Medium	●
Valuation of Directly-held Investment Properties	Significant	↔	✗	High	●

↑ 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
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds, and this could potentially place management under undue pressure in terms of how they report. We have therefore identified management override of controls, in particular journals, management estimates and of transactions outside the course of business as a significant risk of material misstatement.	As part of our audit procedures, we have: 1. Evaluated the design 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. Journal entries identified as high risk were then tested to supporting documentation 5. Incorporated an element of unpredictability into our audit procedures.	We have noted no material adjustments or findings in relation to management override of controls. We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology. 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.

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Valuation of level 3 investments The Fund values its investments on a quarterly basis to ensure that carrying values are not materially different from fair values at the reporting date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£3,078 million) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2025. Relevant assertion(s) Valuation, Existence Applicable assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Evaluated 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: a) Comparing the valuation to purchase and sale transactions of the investment near the reporting date where 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 cashflows 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.	Per the Fund's accounting policies, year-end values for hard to value assets frequently contain 31 December values adjusted for cashflow transactions for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the Level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2025, which we obtain via external confirmation from the external fund managers. From the work which we have performed, the valuation of investments per the Fund's accounts (based on December values) is £22.1m less than that per the externally obtained investment confirmations as at 31 March 2025. Since we have tested a sample of assets, this difference was extrapolated to £28.8m. Since the value is below performance materiality, management are not proposing to amend the accounts. Further details are provided in the unadjusted misstatements schedule captured on page 39. As part of our testing, we create our own auditor expectation for the valuation of the Level 3 investments as at 31 March 2025 using the audited accounts for each of the individual funds which the Pension Fund is invested in. As part of this we also apply an appropriate index to the calculated valuation, if the audited accounts for any fund have a different year end date. The difference identified between our estimate and the Pension Fund's Accounts was £5.4m. Again, this was extrapolated to £6.3m. This provides us with further assurance that the valuation of Level 3 investments included in the accounts is materially correct.

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Bulk annuity policies/insurance buy-ins In June 2024, the Fund purchased for £203 million, an insurance policy to secure benefits payable for a defined group of pensioners and deferred pensioners of one employer. The insurance policy will be held as an asset on the Net Asset Statement and valued annually by the actuary, in accordance with the Code of Practice on Local Authority Accounting in the UK. There is a risk that bulk annuity policies/insurance buy-in investments are incorrectly valued, accounted for inaccurately and/or required disclosures are not presented in accordance with the CIPFA Code. Relevant assertion(s) Valuation, Existence Applicable assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Evaluated the design and implementation of relevant controls around management's process for bulk annuity policies / insurance buy-ins. 2. Challenged management's valuation through: a) Obtaining a copy of the year-end valuation directly from management's Actuary. b) Using our own actuarial specialists to perform their own valuation based on industry expectations, market data and the respective contract to determine an expected point range estimate. 3. We tested the membership data used by the Actuary to administrator records on a sample basis. 4. We corroborated the existence of the policy, and the accuracy of the value of any material premiums due in the year, and disclosure of any potential material final premiums due post year end, after the completion of the data validation. 5. We reviewed the disclosures included in the financial statements to ensure compliance with the requirements of the CIFPA Code.	We have noted no material adjustments or findings in relation to bulk annuity policies/insurance buy-ins. The valuation performed by our internal actuarial specialists identified only a trivial difference to the valuation per the pension fund's accounts. We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Directly-held Investment Properties The Fund values its directly held property on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statement date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£455 million) and the sensitivity of this estimate to changes in key assumptions. Management have engaged the services of an external property valuer to estimate the current value as at 31 March 2025. We therefore identified valuation of directly held property as a significant risk for the audit, which was one of the most significant assessed risks of material misstatement. **Relevant Assertion(s)** Valuation, Existence **Applicable Assertion(s)** Rights & Obligations, Presentation **Planned level of control reliance** None	As part of our audit procedures, we have: 1. Evaluated the design and implementation of relevant controls of management's process for valuing directly-held investment properties. 2. Evaluated the competence, capabilities and objectivity of management's valuation expert and understood the basis on which their valuations were performed 3. Challenged the information and assumptions used by management's expert valuer to assess completeness and consistency with our understanding 4. Tested, on a sample basis, revaluations made to ensure they have been input correctly into the Fund's financial records 5. Engaged our own valuation expert to assess the Fund's valuation report and the assumptions that underpin the valuation.	We have noted no material adjustments or findings in relation to directly-held investment properties. We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.

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 - £2,961m

The Pension Fund has investments in unquoted equity and pooled investments that in total are valued on the Net Asset Statement as at 31 March 2025 at £2,961m.

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 rely on the valuations provided by the general partners to the private equity funds which the Fund invests in.

The value of the investments has decreased by £116m in 2024/25 as a result of acquisitions, disposals and valuation movements during the year.

Audit comments

In response to management's approach, we have:

1. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison
2. Ensured consistency of the investment management report with the financial statements
3. Compared the valuation to purchase and sale transactions of the investment near the reporting date (where appropriate)
4. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts

continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)
5. Considered the completeness and accuracy of the underlying information used to determine the estimate 6. Considered the impact of any changes to valuation method from the prior period 7. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate 8. Evaluated the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices where appropriate Additionally, the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements. From the work which we have performed, the valuation of investments per the Fund's accounts (based on December values) is £22.1m less than that per the externally obtained investment confirmations as at 31 March 2025. Since we have tested a sample of assets, this difference was extrapolated to £28.8m. Since the value is below performance materiality, management are not proposing to amend the accounts. Further details are provided in the unadjusted misstatements schedule captured on page 39. No other issues were identified from the work performed above.

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 - £2,214m

The Pension Fund has investments in pooled investment vehicles and derivative contracts that total £2,214m on the net assets statement at year-end.

Investment managers will periodically provide update reports which are summarised into an overall investment performance report for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments involve inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. The investments are not generally actively traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, investment managers make use of evaluated price feeds.

The value of the investment has decreased by £8m in 2024/25, as a result of acquisitions, disposals and valuation movements during the year.

Audit comments

1. In response to management's approach, we have:
2. Ensured consistency of the investment management report with the financial statements
3. Considered the completeness and accuracy of the underlying information used to determine the estimate
4. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate

continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)
5. Management determine the value of Level 2 Investments through placing reliance on the expertise of the various fund managers. As such we have sought confirmations of year end valuations from all main mandate managers and also tested a sample of unit prices used to value Level 2 investments to externally quoted information sources, or where not quoted, to unit values provided by the investment manager's own independent custodian, latest purchase/sale prices or other available evidence such as audited accounts. Our testing identified a trivial difference between our estimated valuation using available pricing information and the valuation included in the accounts. We therefore have assurance that the estimate is materially correct. We did however identify an asset which was delisted during the year, and so challenged management on the appropriateness of the Level 2 classification. Management agreed that this asset should now be recorded as Level 3, refer to the misclassification and disclosure amendments section of this report. 6. We have also consulted with our specialist valuations team in determining the appropriateness of the valuation of the derivative investments. Our valuations team are performed their own valuation of a sample of the derivatives. The difference between the valuation determined by our internal valuations team and the valuation included in the accounts was below our triviality threshold. As such sufficient, appropriate assurance was gained over the valuation of derivative contracts. Additionally, the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements. No other issues were identified from the work performed above.

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

Directly-held Investment Properties- £426m

The Pension Fund has investments in directly held investment properties that in total are valued on the Net Asset Statement as at 31 March 2025 at £426m.

In order to determine the value, management engage independent RICs qualified valuers, Savills, to calculate the fair value of the properties on the basis of their Market Value. All of the properties held by the Fund were valued as at 31/3/2025.

The value of the investments have decreased by £28m in 2024/25, this was a result of net disposals of £32m in the year, offset against net increased in the value of the portfolio by £4m.

Audit comments

In response to management's approach, we have:

1. Ensured consistency of the report prepared by management's expert with the financial statements
2. Evaluated the competence, capabilities and objectivity of management's valuation expert and understood the basis on which their valuations were performed
3. Considered the completeness and accuracy of the underlying information used to determine the estimate

continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)
4. Tested, on a sample basis, revaluations made to ensure they have been input correctly into the Fund's financial records 5. Engaged our own valuation expert to assess the Fund's valuation report and the assumptions that underpin the valuation. Additionally, the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements. No issues were identified from the work performed above.

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

Bulk annuity policies/insurance buy-ins - £186m

In June 2024, the Fund purchased for £203 million, an insurance policy to secure benefits payable for a defined group of pensioners and deferred pensioners of one employer. The insurance policy is held as an asset on the Net Asset Statement and valued annually by the actuary, in accordance with the Code of Practice on Local Authority Accounting in the UK.

The value of the investment has decreased by £17m in 2024/25, this was a result of changes in final assumptions and payments received from the insurer.

Audit comments

In response to management's approach, we have:

1. Obtained a copy of the year-end valuation directly from management's Actuary.
2. Engaged our own actuarial specialists to perform a review of the valuation based on industry expectations, market data and the respective contract to assess the method and assumptions provided to support the valuation provided by the Fund's expert. The valuation performed by our internal actuarial specialists identified only a trivial difference to the valuation per the pension fund's accounts.
3. We tested the membership data used by the Actuary to administrator records on a sample basis.

continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)
4. We corroborated the existence of the policy, and the accuracy of the value of any material premiums due in the year, and disclosure of any potential material final premiums due post year end, after the completion of the data validation. 5. We reviewed the disclosures included in the financial statements to ensure compliance with the requirements of the CIFPA Code. Additionally, the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements. No issues were identified from the work performed above.

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

Assessment Key

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

Other findings – Information Technology

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

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Oracle Fusion	Detailed ITGC assessment (roll forward only)	● Red	● Red	● Green	● Green	All significant risks – refer to action plan on pg 41 for IT Audit Findings.
Altair	Detailed ITGC assessment (design effectiveness only)	● Green	● Green	● Green	● Black	Links to management override of controls, Fund Account Balances and data provided to the actuary in relation to IAS 19 procedures
Active Directory	Streamlined ITGC design assessment	● Green	● Green	● Black	● Black	None

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	• We have previously discussed the risk of fraud with the Pensions Committee. We have not been made aware of any significant incidents in the period and no issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed
3	Matters in relation to laws and regulations	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	Written representations	• Representations will be requested from management in respect of the significant assumptions used in making accounting estimates for Level 3 investments, Directly-held investment properties and the bulk-annuity buy-in contract. No specific additional representations were requested. • We draw your attention to the draft Letter of Representation which is within Appendix D.

Other communication requirements (continued)

	Issue	Commentary
5	Confirmation requests from third parties	• We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted and the requests were sent.
6	Disclosures	• We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. • For key management personnel we have noted that the Fund has used contributions as an estimate for post-employment benefits. This area is subject to discussion within the sector but the CIPFA example accounts do note that assuming that most key personnel identified will belong to the LGPS or other defined benefit pension schemes, disclosure of employer contributions payable in the period will not generally represent an accurate basis for estimating post-employment benefits. • We are satisfied that readers will not be misled by the current disclosures but have discussed with management and this is an area that will be kept under review.
7	Audit evidence and explanations	• All information and explanations requested from management was 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.

Other responsibilities

Issue	Commentary
Other information	The Pension Fund is administered by Wirral Metropolitan Borough 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 – refer to Appendix E.
Matters on which we report by exception	We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report alongside the audit opinion. 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.

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.

	Pension Fund Account		Net Asset Statement £		
Detail	Debit £	Credit £	Debit £	Credit £	Impact on total net assets £
Total net assets per draft accounts					£10,960m
No adjusted misstatements identified					0
Total net assets per final accounts					**£10,960m**

Misclassification and Disclosure Adjustments

Disclosure misstatement	Detail	Auditor recommendations
Note 13 – Investment Purchases and Sales	During the year, the Fund transferred £219m of loans between internal investment portfolios. Within the draft accounts these items have been included within both purchases and sales, overstating the balances. Since these are internal transfers and not true purchases/sales, they should not have been recorded as such. Management are amending for this matter. There is no impact on the year-end fund balances.	The final version of accounts is to be amended for these matters.
Note 15 - Level 2 investment classification	A Pooled Investment Vehicle investment was classified as Level 2 within the draft accounts, however, during the year the asset was unlisted from The International Stock Exchange (TISE). Given the nature of its underlying investments, and the lack of observable inputs, our view is that this meets the IFRS 13 definition of a Level 3 investment. Management are in agreement with this revised classification. This results in Level 2 investments being overstated by £26.8m and Level 3 investments being understated by £26.8m per the draft accounts.	The final version of accounts is to be amended for these matters.
Note 15 – Prior year sensitivity table	A disclosure issue was identified whereby the sensitivity "value on increase" for the 2023/24 comparative of property was stated as £44k whereas it should be £1,031,044k per the prior year audited financial statements.	The final version of accounts is to be amended for this matter.
Note 17d – Outlook for real investment returns	The sensitivity to the discount rate was incorrectly stated as 17% per 1% change in real investment value whereas confirmation from the actuary states it should be between 13-14% per 1%.	The final version of accounts is to be amended for this matter.
Note 1 – Basis of Preparation – Virgin Media Case	An additional disclosure has been added to the accounts to allow the user of the accounts to understand the facts of the legal case *Virgin Media Limited v NTL Pension Trustees II Limited*, which relates to the validity of certain historical pension changes, and that management anticipate that the case will have no impact on the pension fund.	The final version of accounts is to be amended for this matter.
Note 6 – Subsequent Events	Note 6 has been updated to include details of the material increase in the Fund's valuation (as at the latest available data point – 31 October 2025) compared to the value per the Net Asset Statement in the draft accounts. This is a non-adjusting post balance sheet event.	The final version of accounts is to be amended for this matter.
Note 24 – Additional Voluntary Contributions	The Prudential additional voluntary contribution confirmation was not received until after the preparation of the accounts, hence an adjustment will be made to the final accounts to record this balance.	The final version of accounts is to be amended for this matter.
Presentation/ Disclosure changes	A number of minor amendments have been suggested to management from our financial statements' presentation and internal consistency review.	The final version of accounts is to be amended for these matters.

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	Pension Fund Account Debit £	Pension Fund Account Credit £	Net Asset Statement £ Debit £	Net Asset Statement £ Credit £	Impact on total net assets £	Reason for not adjusting
Total net assets per final accounts					**£10,960m**	
Level 3 investments valuation Per the Fund's accounting policies, year-end values for hard to value assets frequently contain 31 December values adjusted for cashflow transactions for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2025, which we obtain via external confirmation from the external fund managers. From the work which we have performed, the valuation of investments per the Fund's accounts (based on December values) is £22.1m less than that per the externally obtained investment confirmations as at 31 March 2025. Since we have tested a sample of assets, this difference was extrapolated to £28.8m. Since the value is below performance materiality, management are not proposing to amend the accounts.		£28.8m	£28.8m		£28.8m	Difference is immaterial both qualitatively and quantitively
Total net assets – recalculated to include unadjusted misstatements					**£10,989m**	

Impact of unadjusted misstatements in the prior year

This is a summary of unadjusted misstatements identified during the prior year audit, which impact the current year financial statements.

Detail	Pension Fund Account Debit £	Pension Fund Account Credit £	Net Asset Statement £ Debit £	Net Asset Statement £ Credit £	Net Asset Statement £ Impact on total net assets £	Reason for not adjusting
Total net assets – recalculated to include unadjusted misstatements identified in the current year (total from previous page)					£10,989m	
Level 3 investment valuation Per the Fund's accounting policies, year-end values for hard to value assets frequently contain 31 December values adjusted for cashflow transactions for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2024, which we obtain via external confirmation from the external fund managers. From the work which we have performed, the valuation of investments per the Fund's accounts (based on December values) is £9.3m less than that per the externally obtained investment confirmations as at 31 March 2024. Since we have tested a sample of assets, this difference was extrapolated to £14.4m.			£14.4m		£14.4m	Difference was immaterial both qualitatively and quantitively
Level 3 investment valuation From our testing of a sample of level 3 investments valuations, we also identified an isolated error when one investment was overstated by £14.7m. This issue occurred as a result of a corporate action event which resulted in the Fund receiving 15,000,000 shares in an investment. When the asset was initially input into the investment ledger at £1 per share, due to the absence of a market price. This valued the investment at £15m. In reviewing the valuation of this asset as at 31 March 2024, the last traded price of the investment before 31 March 2024 was 1.82 pence. As such, the valuation of this investment at 31 March 2024 should be £273,000. The Fund are performing additional procedures to ensure that this is an isolated incident and to mitigate the risk of this type of error occurring going forward.				(£14.7m)	(£14.7m)	Difference was immaterial both qualitatively and quantitively
Total net assets – recalculated to include unadjusted misstatements identified in both the prior and current year					**£10,989m**	

Action plan

We have identified recommendations 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	● Red	**Segregation of duties conflict within Oracle Fusion** We identified that 3 individual users with Financial roles were granted administrative access to Oracle resulting in a SoD issue. The privileged access roles provided to these accounts was Application Implementation Consultant, Application Implementation Administrator, IT Security Manager, Application Implementation Manager and Internal Auditor. **Risk** A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to - unauthorised changes being made to system parameters, - creation of unauthorised accounts, - unauthorised updates to their own account privileges, - deletion of audit logs or disabling logging mechanisms.	• Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should consider revoking the highlighted roles from the affected users unless they are explicitly required for their job function. • If incompatible business functions are granted to users due to organisational size constraints, management should ensure that there are review procedures in place to monitor activities [e.g. reviewing system reports of detailed transactions; selecting transactions for review of supporting documents; overseeing periodic counts of physical inventory, equipment or other assets and comparing them with accounting records; and reviewing reconciliations of account balances or performing them independently]. **Management response** The three users referenced currently serve in a system support capacity and are now part of the IT department under Systems Support. We believe the assigned roles are necessary for them to effectively perform their responsibilities. However, we will undertake a review to assess whether any of these roles can be removed without impacting their ability to fulfil their duties.

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

Follow up of prior year recommendations

This is a summary of where we identified recommendations 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	✓	Self-assigned access within Oracle Fusion During the audit period, we identified that 19 users self-assigned a total of 265 roles. Out of the 19 accounts, 17 belonged to NAMOS (application support partner) in which 16 were individual accounts and 1 was generic account, while the remaining 2 accounts belonged to individuals from Wirral MBC. However, we were unable to obtain approvals or justification for the self-assignment of roles. Furthermore, we understood that there was no process in place for self-assigning roles in Oracle Fusion. Risk User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.	**Management have improved the controls relating to self assigned access in the year and this is was consequently not identified as a significant deficiency during this years' ITGC work.**

Assessment:

✓ Action completed

→ Work in progress / Partially addressed

× Not yet addressed

Follow up of prior year recommendations

This is a summary of where we identified recommendations 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
2	✗	Segregation of duties conflict within Oracle Fusion We identified that 18 individual users with Financial roles were granted administrative access to Oracle resulting in a SOD issue. Further observed that the administrative rights were granted to excessive number of accounts. A total of 58 individual users (25 from NAMOS and 33 users from Wirral) with 25 roles were granted administrative access in Oracle Fusion. Risk A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to: - unauthorised changes being made to system parameters - creation of unauthorised accounts, - unauthorised updates to their own account privileges - deletion of audit logs or disabling logging mechanisms.	**Refer to action plan where an updated recommendation has been made in relation to this matter based on ITGC work performed this year.**

Assessment:

✓ Action completed

→ Work in progress / Partially addressed

✗ Not yet addressed

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). In this context, we confirm there are no independence matters that we would like to report to you.

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. We have no matters to report to you.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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 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 the date of this report, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The non-audit services are consistent with the Fund's policy on the allotment of non-audit work to your auditor.

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Merseyside Pension Fund. The table overleaf summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Our firm also provides audit and non-audit services to Wirral Metropolitan Borough Council. 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.

Fees and non-audit services

Audit fees	£
Audit of Merseyside Pension Fund	£133,543
Total	£133,543

Audit related non-audit services	£	Threats identified	Safeguards applied
IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice	£6,600	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee for this work is £6,600 in comparison to the total proposed fee for the audit of £133,543 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total			

Total audit and non-audit fee	£140,143

The above fees are exclusive of VAT.

The fees reconcile to the financial statements as follows:

- Fees per financial statements - £123k
- PSAA Audit Fee Rebate - £16k
- Late IAS 19 assurance request received not accounted for in 24/25 £1k
- **Total fees per AFR - £140k**

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

Georgia Jones
Engagement Lead

- Key contact for senior management and Audit Committee
- Overall quality assurance

Stuart Basnett
Audit Manager

- Audit planning
- Resource management
- Performance management reporting

William Huckle
Audit Supervisor

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

Pool of three specialists and other technical specialists: specialist IT audit, internal valuations team and auditors' external property valuation expert

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

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

C. Logistics

The audit timeline

Key Dates

Year end:
31 March 2025

Pensions Committee: 23 June 2025
Audit & Risk Management Committee: 25 June 2025

Pensions Committee: 23 September 2025
Audit, Risk & Governance Committee: 4 November 2025

Sign off
TBC – After Audit, Risk & Governance Committee

Audit phases:

Planning & Interim – January to April 2025

Final – July to September 2025

Completion – September 2025

Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management
- Document design effectiveness of systems and processes
- Any planned interim testing

Key elements

- Issue the Audit Plan to management and Audit & Risk Management Committee

Key elements

- Audit teams to complete fieldwork and detailed testing
- Weekly update meetings with management

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Audit Findings presentation to Pensions Committee and Audit & Risk Management Committee
- Finalise and sign financial statements and audit report

D. Management letter of representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Merseyside Pension Fund Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Merseyside Pension Fund for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 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, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Fund's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("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. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include level 3 investments, level 2 investments, directly held investment properties and bulk-annuity insurance contracts. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. 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.

vii. 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.

viii. 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.

ix. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end. The financial statements 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 have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :

  a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

  b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

  c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

  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.

Information Provided

xiv. We have provided you with:

  a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

  b. additional information that you have requested from us for the purpose of your audit; and

  c. access to persons within the Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.

xv. We have communicated to you all deficiencies in internal control of which management is aware.

D. Management letter of representation

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. 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.

xix. 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.

xx. 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.

xxi. 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.

xxii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

xxiii. 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.

xxiv. 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 the Fund's Pensions Committee on 23 September 2025 and Audit and Risk Management Committee on 4 November 2025.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Fund

E. Audit opinion

Independent auditor's report to the members of Wirral Metropolitan Borough Council on the pension fund financial statements of Merseyside Pension Fund

Opinion on financial statements

We have audited the financial statements of Merseyside Pension Fund (the 'Pension Fund') administered by Wirral Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2025, 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 2024/25.

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 2025 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; 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, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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 are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Director of Finance

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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 Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance 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 Director of Finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

E. Audit opinion

Auditor’s responsibilities for the audit of the financial statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Audit and Accountability Act 2024 and the Local Government Act 2003, Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of management and the Pensions Committee, concerning the Authority’s policies and procedures relating to:
- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Pensions Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund’s financial statements to material misstatement, including how fraud might occur, by evaluating management’s incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to
    - journal entries that altered the Fund’s financial performance for the year;
    - potential management bias in determining accounting estimates and judgements in relation to:
        - the valuation of level 3 investments
        - the valuation of level 2 investments
        - the valuation of directly held investment properties
        - the valuation of bulk annuity insurance policies
- Our audit procedures involved:
- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on manually posted journals, large journals over performance materiality, self-approved journals, and any journals posted by senior management.
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments, level 2 investments, directly held investment properties and bulk annuity insurance policies; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or

- intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner’s assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
- the Pension Fund’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

Use of our report

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

[Signature**]**

Georgia Jones, Key Audit Partner

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

Liverpool

[Date**]**

Grant Thornton