



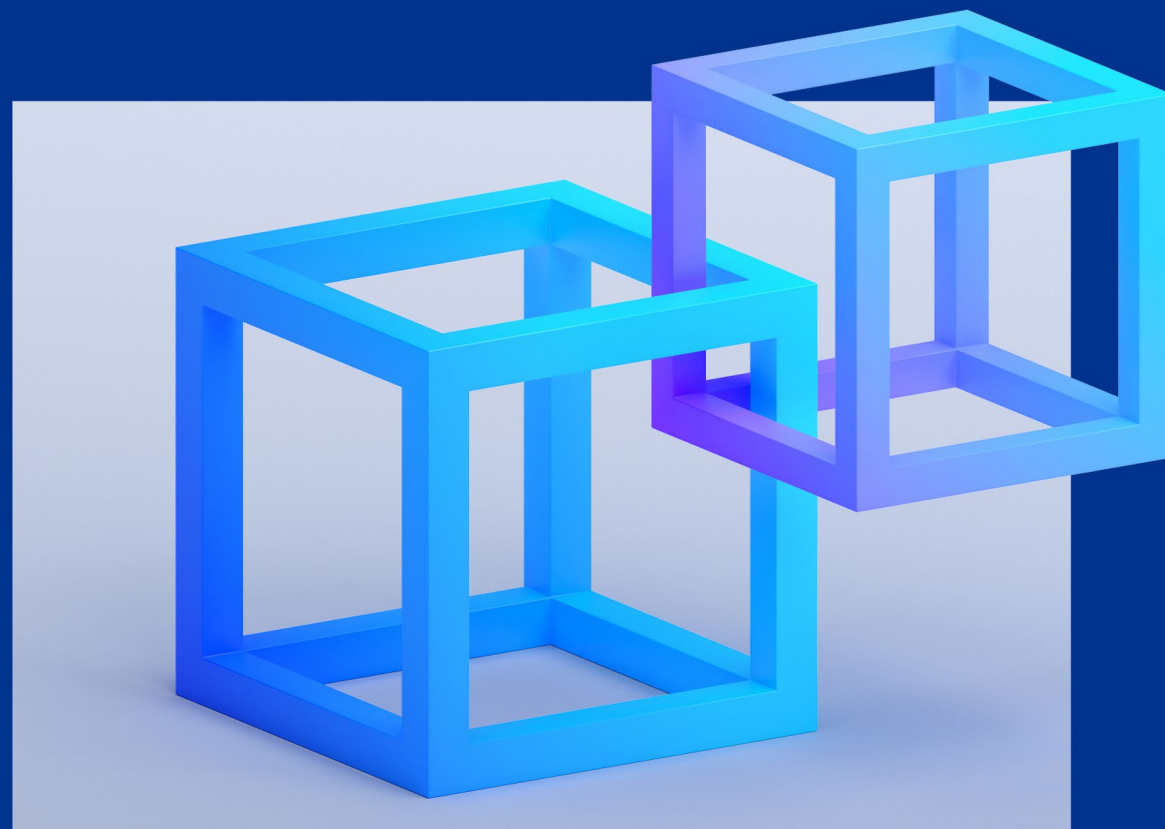
South Yorkshire Pension Fund

Year End Report to the Audit and Governance
Committee

Report for the year ended 31 March 2025

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DRAFT – 24 September 2025



Introduction

To the Audit and Governance Committee of South Yorkshire Pension Fund

We are pleased to have the opportunity to meet with you on 2 October 2025 to discuss the results of our audit of the financial statements of South Yorkshire Pension Fund, as at and for the year ended 31 March 2025.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, dated 6 March 2025. We will be pleased to elaborate on the matters covered in this report when we meet.

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when:

- Audits are executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management; and,
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We are committed to providing you with a high quality service. If you have **any** concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact me (richard.lee@kpmg.co.uk), the engagement lead for the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler (tim.culter@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access KPMG's complaints process here: [Complaints](#)

Subject to the approval of the statement of accounts, we expect to be in a position to sign our audit opinion on the approval of those statement of accounts and auditor's representation letter, provided that the outstanding matters noted on page 5 of this report are satisfactorily resolved.

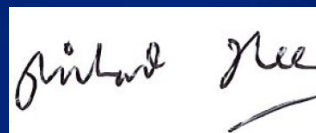
There have been no significant changes to our audit plan and strategy.

We expect to issue an unmodified Auditor's Report.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Restrictions on distribution of this report

Yours sincerely,



Richard Lee

Director KPMG LLP

24 September 2025

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Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of South Yorkshire Pension Fund, prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, as at and for the year ended 31 March 2025.

This Report has been prepared for the Administering Authority's Audit and Governance Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Administering Authority's Council's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 4 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit and Governance Committee of the Administering Authority's; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.



Our audit findings



Significant audit risks	Page 7 –8
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Significant audit risks	Our findings
Management override of controls	Our work to date has not identified any significant issues other than a control deficiency with regards to the journals review process. Please refer to page 7 for further details.

Key accounting estimates	Page 10
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Key accounting estimates	Our findings
Valuation of Level 3 Pooled Investment Vehicles	We have agreed the value to investment manager NAV statements as at 31 March 2025. For a sample of investments, we assessed the NAV reliability of the NAV statements using the latest audited accounts. Please Refer to page 12 for more details.
Valuation of Level 1 & 2 Pooled Investment Vehicles and Segregated Investments	We have agreed the value to investment manager confirmations as at 31 March 2025. We verified valuations to independent pricing sources (including iRadar) where available.

Uncorrected Audit Misstatements	Page 18
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Understatement/ (overstatement)	£m	%
Net investments	30.6	0.3%
Net returns on investments	(30.6)	9.7%

Number of Control deficiencies

See Appendix 6 for details	
Significant control deficiencies	0
Other control deficiencies	2
Prior year control deficiencies remediated	2
Prior year control deficiencies not remediated	2

Outstanding matters

Our audit is in progress Outstanding matters are set out on page 5.



Outstanding matters



Outstanding Matters as at the date of this Report

- Completion of our work on L3 PIVs
 - Receipt of audited accounts for RLAM Natural Capital
 - Conclusion on available evidence for Sustainable Growth Funds
- Completion of our work over post-closing journals
- Completion of our work over contractual commitments
- Receipt and review of updated draft financial statements
- Receipt of going concern assessment and completion of our evaluation
- Continued update of our risk assessment procedures
- Completion of Partner and Manager review and quality control procedures
- Review of the annual report for consistency with the audited financial statements

Audit completion procedures

- Completion of our post balance sheet events review up to the date of sign off
 - Receipt of signed Trustee letter of representation and Trustee approved and signed financial statements
-

Significant risks and other audit risks



We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which South Yorkshire Pension Fund operates.

We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

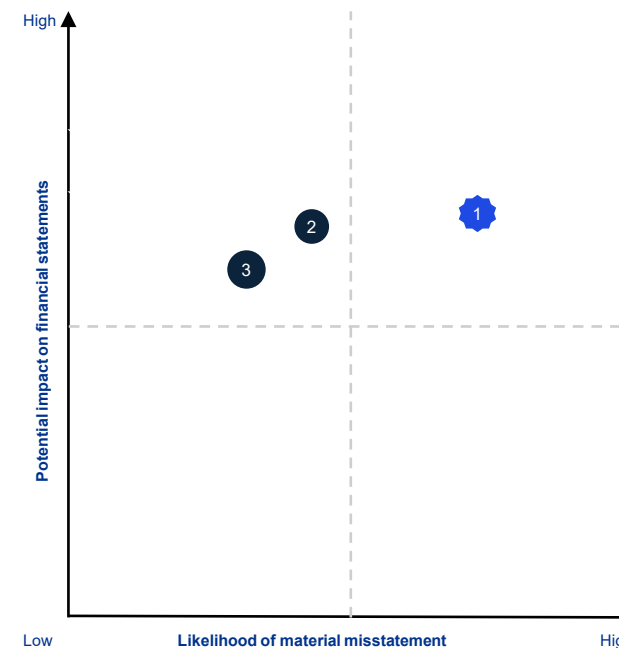
See the following slides for the cross-referenced risks identified on this slide.

Significant risks

- 1 Management override of controls

Other audit risks

- 2 Level 1, level 2 and level 3 investments are not complete, do not exist or are not accurately recorded
- 3 Valuation of level 1, level 2 and level 3 investments is misstated



KEY

- Blue star icon: Presumed significant risk
- Purple circle icon: Significant financial statement audit risks
- Black circle icon: Other audit risks

Audit risks and our audit approach



1

Management override of controls(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit



Our response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluated the selection and application of accounting policies
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post-closing adjustments.
- We evaluated the design and implementation of any relevant (be specific) general IT controls supporting our significant risk.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the normal course of business or are otherwise unusual. Our procedures did not identify any significant unusual transactions
- We analysed all journals through the year and focus our testing on those with a higher risk.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Audit risks and our audit approach (cont.)



1 Management override of controls (cont.)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit



Our findings

- Communicated our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
- We identified 19 journal entries and other adjustments meeting our high-risk criteria – our examination did not identify unauthorised, unsupported or inappropriate entries.
- We evaluated accounting estimates and did not identify any indicators of management bias. See page 12 for further discussion.
- Our procedures did not identify any significant unusual transactions.
- Journal controls are now subject to enhanced scrutiny by auditors and must comply with a series of prescriptive criteria in order to be considered effective. We note that whilst management were able to evidence what they deem to be an effective review process, the journal control does not meet these strict criteria and the threshold set as per the auditing standards. We recommend management fully document the journals review process. As this was raised as a control deficiency in the prior year and remains relevant, we have included it in Appendix 7.

Audit risks and our audit approach (cont.)



2 Level 1, Level 2 and Level 3 investments are not complete, do not exist or are not accurately recorded



Other risks

- Level 1, Level 2 and Level 3 investments are not complete, do not exist or are not accurately recorded.
- Investments are held to pay benefits of the Fund. They are held with 9 investment managers across a number of asset classes. The investments are material to the financial statements (99% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a risk of material misstatement relating to completeness, existence and accuracy as there has been a number of investment transitions in the year between investment managers.



Our response

- As part of our audit procedures, we gained an understanding of the processes over the completeness, existence and accuracy of Level 1, Level 2 and Level 3 investments. This included gaining an understanding of the control environment at all the investment managers and the custodian by reviewing their internal controls reports to identify any control deficiencies that would impact our audit approach.
- We obtained direct confirmations from your custodian and all your investment managers to vouch the holdings and valuation of assets at the year end.
- We vouched purchases and sales to custodian reports.
- We recalculated change in market value and compare this to the overall investment return stated in the Audit and Governance Committee's report for consistency with the amounts reported in the financial statements. We investigated any material deviations.



Our findings

See pages 11 to 14 for our findings

Audit risks and our audit approach (cont.)



3 Valuation of Level 1, Level 2 and Level 3 investments is misstated



Other risks

- Investments are held to pay benefits of the Fund. They are largely held as pooled investment vehicles held with 9 investment managers. The investments are material to the financial statements (99% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a base risk of material misstatement relating to fair values of Level 1 and 2 pooled investments, due to the estimation uncertainty resulting from the pricing of these investments.
- There is an elevated risk of material misstatement relating to fair values of Level 3 pooled investments, due to the estimation uncertainty resulting from unobservable inputs to these investments.



Our response

- Level 2 pooled investment vehicles: We recalculated the value of the Level 2 pooled investments using published pricing of the pooled investment vehicles at the year end (where available).
- Level 3 pooled investment vehicles: For each Level 3 pooled investment vehicle investment, we obtained the unaudited Net Asset Value ('NAV') Statement at the measurement date and vouched the valuation to this.
- For a sample of Level 3 pooled investment vehicles, we further assessed the reliability of the NAV statement by:
 - Obtaining and inspecting the latest audited financial statements for the underlying funds where available;
 - Inspecting the audit report to confirm that it is unqualified and that the audit has been carried out by a reputable audit firm; and
 - Comparing the unaudited pricing information at the year end to the audited financial statements valuation. Where the audited financial statements are not as at the Fund year end date, we will agree them to unaudited pricing information at that date



Our findings

See pages 11 to 14 for our findings

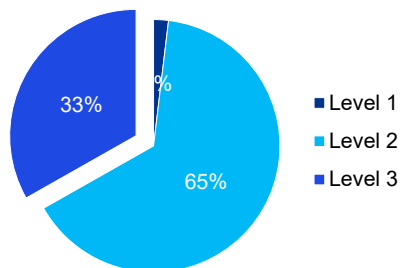
Key:
 Prior year  Current year

Audit risks and our audit approach (cont.)

Level 3 investments

2

3



Source: draft financial statements.

Type of security	Market value 2025 (£m)	Percentage of portfolio 2025	Market value 2024 (£m)	Percentage of portfolio 2024
Inputs are unobservable (i.e. market data is unavailable)				
Pooled investment vehicles	3,628.0	32.7%	3,077.1	27.8%
Property	52.4	0.5%	508.5	4.6%
Total	3,680.4		3,585.6	

Type of security	Our findings
Property	We obtained the property valuation produced by the independent valuer, Knight Frank, as at 31 March 2025 directly from BCPP. We assessed Knight Frank as a management specialist and assessed their competency as a property valuer and their work for use as audit evidence. Since the Fund transferred most of the commercial property to BCPP during the year: - As part of risk assessment we involved property valuation specialists to assess whether there was a risk of material misstatement in the remaining population; - Agreed the disposals to supporting evidence and the issue of units by BCPP. We determined that the risk of material misstatement in the remaining population of commercial property was remote, so we did not engage our property specialists to undertake substantive procedures. There are no matters arising from our work over property.

Audit risks and our audit approach (cont.)

Level 3 investments (cont.)

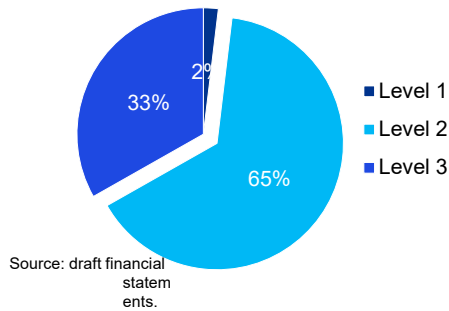
Our view of management judgement with respect to accounting estimate:



Type of security	Our findings
Pooled investment vehicles	For nine level 3 pooled investment vehicles with a value of £67.3m, we were unable to obtain investment confirmations directly from the investment managers: - For six of these investments with a value of £25.2m we have used investment confirmations as at 31 March 2025 obtained by the Pension Fund from the investment manager. - For the remaining three level 3 pooled investment vehicles with a value of £42.1m (all held with one investment manager). We have used investment confirmations as at 2024 obtained by the Pension Fund from the investment manager (the most recent available) and adjusted for any cash movements between 1 January 2025 and 31 March 2025. In addition, we were unable to obtain the latest audited accounts for these three funds. We have selected one of the three funds and used the most recent available audited accounts (as at 31 December 2022) for our assessment of reliability. Management should hold investment managers to account when they are not responding to audit or management requests. See Appendix 6 for our recommendation and management’s response. The draft financial statements are prepared using the latest information available which is generally as at 31 December 2024. The difference arising between the valuations in the draft financial statements and those as at 31 March 2025 is £10.9m. See Appendix 4 for further details. We note that the BCPP valuation statement for the Infrastructure Series 2B as at 31 March 2025 originally provided by the investment manager included an error in the valuation of one fund which understated the increase in value between 1 January and 31 March 2025 by £7.2m. We understand that BCPP queried a large change in NAV between Q4 2024 and Q1 2025 and this identified that the valuation was incorrectly interpreted within the underlying manager’s Capital Account Statement, due to its non-standard presentation. The valuation difference of £10.9m takes into account this updated valuation. See Appendix 6 for our recommendation and management’s response. Our work in this areas is ongoing pending: - Receipt of audited accounts for one fund - Completion of internal consultation in respect of the funds for which we were not able to obtain the latest audited accounts.

Audit risks and our audit approach (cont.)

Level 2 investments



Type of security	Market value 2025 (£m)	Percentage of portfolio 2025	Market value 2024 (£m)	Percentage of portfolio 2024
Inputs are observable (i.e. market data is available)				
Pooled investment vehicles	7,079.7	63.9%	6,880.6	62.1%
Private credit	111.9	1.0%	84.9	0.8%
Total	7,191.6		6,965.5	

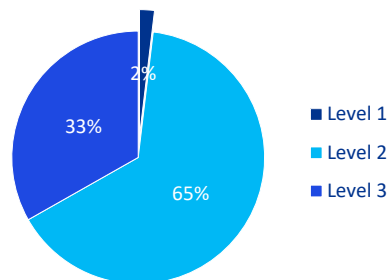
Our view of management judgement with respect to accounting estimate:



Type of security	Our findings
Pooled investment vehicles	We obtained direct confirmations from your custodian and all your investment managers to vouch the holdings and valuation of assets at the year end. Our in-house investment valuation team, iRADAR, was engaged to verify the pricing of the pooled investment vehicles at the year end to an external pricing source. Where iRADAR were unable to verify the price at the year end (due to published prices being only available weekly), we obtained the prices at the closest dates to the year end and evaluated the reasonableness of the year end price based on these. The draft financial statements are prepared using the latest information available. For one fund there is a difference of £1.3m between the valuation in the draft account and that as at 31 March 2025. This is treated as an unadjusted audit difference. See Appendix 4 for further details.
Private credit	We obtained direct confirmations your investment manager to vouch the valuation of assets at the year end. The investments are valued at cost as a proxy for fair value.

Audit risks and our audit approach (cont.)

Level 1 investments



Source: draft financial statements.

Type of security	Market value 2025 (£m)	Percentage of portfolio 2025	Market value 2024 (£m)	Percentage of portfolio 2024
Unadjusted quoted prices, active market				
Equities	1.7	0.0%	2.0	0.0%
Pooled investment vehicles	48.3	0.4%	158.8	1.4%
Cash	138.1	1.3%	250.4	2.3%
Other investment assets	26.4	0.2%	2.7	0.0%
Total	214.5		413.9	

Our view of management judgement with respect to accounting estimate:



Type of security	Our findings
Pooled investment vehicles	We obtained direct confirmations from your custodian to vouch the holdings and valuation of assets at the year end. Our in-house investment valuation team, iRADAR, was engaged to verified the pricing of the pooled investment vehicles at the year end to an external pricing source. There is a difference out of range of £20k between the iRADAR valuation and the reported valuation. This is clearly immaterial.
Cash	We have agreed investment cash balances to confirmations received directly from the bank, custodian and investment managers. We note that cash and other investment balances in respect of the level 3 pooled investments held with BCPP are not included in the Net Assets Statement. See Appendix 4 and Appendix 7 for details.
Other investment assets	The balance largely consists of a pending trade of £25.2m with BCPP in respect of the transfer of one commercial property into the real estate fund. We note that cash and other investment balances in respect of the level 3 pooled investments held with BCPP are not included in the Net Assets Statement. See Appendix 4 and Appendix 7 for details.

Other matters

Annual report

The Pension Fund annual report is expected to be issued at the same time as the financial statements. We will read the contents of the Annual Report and consider whether there is a material inconsistency between the information included in the annual report and the financial statements, or with our knowledge obtained in the audit.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

Our scale fee for the 2024/25 audit, as set by PSAA is **£163,047** plus VAT (£148,276 in 2023/24). This covers both the Authority and the Fund.

See Appendix 2 for details and status of fee variations.

To date we have received three letters from other audit firms requesting that we undertake a programme of work on their behalf in respect of post retirement benefit obligations at the Fund's admitted and scheduled bodies. We will agree a fee variation with you in respect of these requests and this will be subject to the PSAA fee variation process.



Appendix

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- 2 Fees
- 3 Confirmation of Independence
- 4 Uncorrected audit misstatements
- 5 Corrected audit misstatements
- 6 Control Deficiencies
- 7 KPMG's Audit quality framework



Appendix 1: Required communications



Type	Response
Our draft management representation letter	☒ OK We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2025.
Adjusted audit differences	☒ OK There were nil adjusted audit differences.
Unadjusted audit differences	☒ OK The aggregated surplus impact of unadjusted audit differences is £12.2m. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See Appendix 4.
Related parties	☒ OK There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	☒ OK There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	☒ OK We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	☒ OK No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	☒ OK We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.
Significant difficulties	☒ OK No significant difficulties were encountered during the audit.

Type	Response
Modifications to auditor's report	☒ OK None
Disagreements with management or scope limitations	☒ OK The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	☒ OK No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	☒ OK No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence. We are required to report that Richard Lee has a close family member who is a member of the South Yorkshire Pension Fund. We do not believe this presents an independence conflict.
Accounting practices	☒ OK Over the course of our audit, we have evaluated the appropriateness of the South Yorkshire Pension Fund's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	☒ OK The significant matters arising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete	☒ OK We are required to certify the audit of the Authority as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above. We will not be able to certify the audit as complete when we issue our opinion as the NAO's work over the Whole of Government Accounts in respect of the Authority is not complete. Our audit certificate is also subject to the issue of our consistency opinion on the Pension Fund Annual Report.
Provide a statement to the NAO on your consolidation schedule	☒ OK As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack. The Fund is not in scope for WGA.

Appendix 2: Fees

Audit fee

Our fees for the year ending 31 March 2025 are set out in the PSAA Scale Fees communication and are shown below.

Pension Fund ⁽¹⁾	2024/25 (£)	2023/24 (£)
Audit services		
Scale fee as set by PSAA	163,047	148,276
ISA 315 (R)	-	9,500
IAS19 assurance letters ⁽²⁾	TBC	35,762
VAT specialist	-	3,972
TOTAL	TBC	197,510

(1) The fee covers both the Authority and the Fund.

(2) We have agreed the fee for the 2023/24 IAS19 assurance letters with you and it is subject to the PSAA fee variation process. We will agree the fee for the 2024/25 IAS19 assurance letters with you once the 2023/24 fee has been approved by PSAA. This will then be subject to the PSAA fee variation process

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Appendix 3: Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the director partner and audit staff is not impaired.

To the Audit and Governance Committee members

Assessment of our objectivity and independence as auditor of South Yorkshire Pension Fund

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

The conclusion of the audit engagement director as to our compliance with the FRC Ethical Standard in relation to this audit engagement is subject to review by an engagement quality control reviewer, who is a director not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

No non-audit services are being provided directly to the Fund during the year ended 31 March 2025 and we have not committed to providing any such services.

We note that the Fund is one of 11 partner funds in the Border to Coast Pension Partnership (BCPP). BCPP is an audit client of KPMG LLP and KPMG LLP also provides AAF 01/20 assurance reporting for BCPP. These do not constitute non-audit in respect of the Fund but we include them here in the interest of completeness.

Summary of fees

We have considered the fees charged by us to the Authority and Fund for professional services provided by us during the reporting period.

Total fees charged by us for the period ended 31 March 2025 can be analysed as follows:

2024/25	
£	
Statutory audit	163,047
Total Fees	163,047

Fee ratio

The ratio of non-audit fees to audit fees for the year was 0:1.

Appendix 3: Confirmation of Independence (cont.)



We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the partner and audit staff is not impaired.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Trustee Board.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP, each member of the audit engagement team, and anyone else within the Firm who can influence the conduct or outcome of this audit engagement is independent within the meaning of regulatory and professional requirements.

This report is intended solely for the information of the Audit and Governance Committee of the Administering Authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

Appendix 4: Uncorrected audit misstatements



Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Governance Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit and Governance Committee, details of all adjustments greater than £27.3m are shown below:

Uncorrected audit misstatements (£'000s)				
No.	Detail	Fund Account Dr/(Cr) £000	Net Asset Statement Dr/(Cr) £000	Comments
1	Dr Pooled Investment Vehicles (L3)		10,863	The draft financial statements are prepared using the latest information available. This uncorrected audit misstatement represents the difference arising between the valuations in the draft financial statements and those as at 31 March 2025.
	Dr Pooled Investment Vehicles (L2)		1,327	
	Cr Change in Market Value	(12,190)		
2	Dr Other investment balances		18,398	Being the cash and debtors in respect of the Level 3 PIVs held with BCPP which are not reflected in the individual NAV values and therefore not included in the net assets statement.
	Cr Change in Market Value	(18,398)		
Total		(30,588)	30,588	

Appendix 5: Corrected audit misstatements



Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Governance Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. No adjustments below have been included in the financial statements at this stage.

Corrected audit misstatements (£'000s)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
Total		-	-	

Appendix 6: Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations

- 1** **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- 2** **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- 3** **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	2	BCPP infrastructure valuation We note that the BCPP valuation statement for the Infrastructure Series 2B as at 31 March 2025 originally provided by the investment manager included an error in the valuation of one fund which understated the increase in value between 1 January and 31 March 2025 by £7.2m. We understand that BCPP queried a large change in NAV between Q4 2024 and Q1 2025 and this identified that the valuation was incorrectly interpreted within the underlying manager's Capital Account Statement, due to its non-standard presentation. We recommend that management assure themselves that appropriate arrangements have been put in place by BCPP to avoid this happening in future.	The valuation error discovered has resulted in Border to Coast creating a new control measure as follows: A process has been agreed with investment managers and Northern Trust whereby any large changes in valuation between quarters are flagged to Border to Coast who can contact the investment manager to ensure the correct valuations are recorded. Management have reviewed this new approach and are satisfied that it provides appropriate assurance, when taken as part of the whole controls framework that Border to Coast uses with Northern Trust and its investment managers.
2	2	Sustainable Growth Fund We were unable to obtain valuations as at 31 March 2025 or the latest audited accounts the three Sustainable Growth Funds directly from the investment manager and management were unable to provide us with these. We recommend that management obtain up to date valuations and audited accounts from all investment managers and hold investment managers to account when they are not responding to audit or management requests.	As a result of these issues in respect of the Sustainable Growth Fund, a new internal control is being implemented to ensure more timely identification and escalation of any issues in obtaining audited accounts. The Investment Strategy team will track all investment manager audited financial statements. Any investment managers that fall outside the accepted time window for producing the statements will be robustly chased to provide the information. Should this result in any information still not being provided, an assessment on the status of the investment will take place. It should be noted that oversight of SYPA's legacy private market assets is expected to pass to Border to Coast with effect from 31 March 2026, which will lead to the relevant controls being reviewed and revised as necessary.

Appendix 7: Control Deficiencies



We have also followed up the recommendations from the previous year's audit and have included below those that remain applicable

Total number of recommendations	Number of recommendations implemented / no longer applicable	Number outstanding (repeated below):
4	2	2

#	Risk	Issue, Impact and Recommendation	Management Response	Current Status
1	2	We note that whilst management were able to evidence what they deem to be an effective review process, the journal control does not meet the strict criteria and the threshold set as per the auditing standards. We recommend management fully document the journals review process. This should include clearly defined criteria for selection of journals, confirmation that each journal selected has been reviewed along with the supporting documentation and that the posting is accurate and appropriate, and formal documentation of the review conclusions.	We are satisfied that the journal controls in place across the Authority and Fund are robust and effective. Assurance over the adequacy of the controls in place and their consistent application is provided from regular internal audit review, the most recent of which concluded with substantial assurance. The controls include a two-stage process for input and review /approval of journals in the system. The first stage is when a member of staff inputs the journal, attaching a working paper and any supporting documents to the system. The second stage involves a different member of management reviewing all aspects of the journal prior to approval within the Main Accounting System. Should a member of management input the journal at stage 1, a different member of management authorises the journal at Stage 2 to ensure adequate separation of duties. The strict criteria and threshold set per the auditing standards would essentially require management to prepare a separate journal expectation and calculation for every journal, essentially duplicating the work, which would be overly onerous and would not add value to the process, as the current controls in place are sufficient to provide a thorough review process.	No change.

Appendix 7: Control Deficiencies (cont.)



#	Risk	Issue, Impact and Recommendation	Management Response	Current Status
1	②	The Pension Fund use the quarterly monitoring reports to derive the value of the L3 PIVs in the financial statements. This does not include the cash and debtors with BCPP which are not allocated to individual funds but are part of the Pension Fund's share of the investments. We recommend that management ensure that the information provide by BCPP enables them to fully record the value of the assets held with them.	The issue with quarterly monitoring reports was discovered during the audit of the 2023/24 Fund statement of accounts. Following investigation, we are now in dialogue with Border to Coast to request that cash and accruals are included with the quarterly monitoring reports in future.	The total value of the L3 PIV portfolio included in the quarterly monitoring reports now includes the cash and debtor amounts, but they are not included in the individual NAV valuations for the PIVs and have not been included in the Net Asset Statement. See unadjusted difference in Appendix 4.

Appendix 8: KPMG's Audit quality framework



Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight (and Risk) Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members



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