



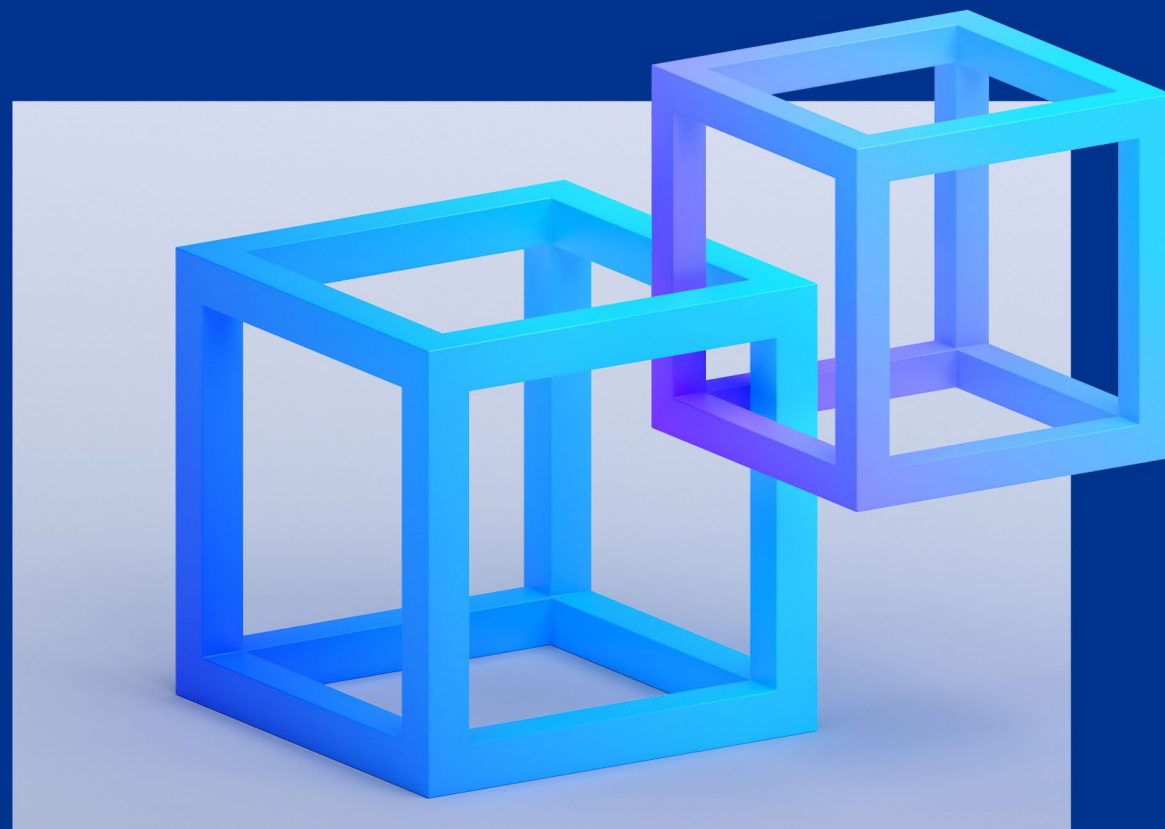
South Yorkshire Pensions Authority

Year End Report to the Audit & Governance
Committee

Year end report for the year ended 31 March 2025

—

2 October 2025



Introduction

To the Audit and Governance Committee of South Yorkshire Pensions Authority

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 Pensions Authority (the 'Authority'), 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, presented on 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 Richard Lee (Richard.Lee@kpmg.co.uk), the engagement lead to 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). If you are still dissatisfied with how your complaint has been handled you can access KPMG's complaints process: [Complaints](#).

The engagement team

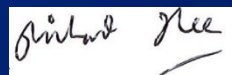
Subject to the approval of the statement of accounts, we expect to be in a position to sign our audit opinion on the approval of those statement of accounts and auditor's representation letter over the coming weeks, provided that the outstanding matters noted on page 4 of this report are satisfactorily resolved.

There have been no significant changes to our audit plan. We expect to issue an unmodified Auditor's Report.

We draw your attention to the important notice on page 4 of this report, which explains:

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

Yours sincerely,



Richard Lee

2 October 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 Pensions Authority (the 'Authority'), 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 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 Authority'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 Risk) Committee of the Authority; 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	Pages 5-8
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Significant audit risks	Our findings
Management override of controls	No issues identified.
Valuation of post retirement benefit obligations	We have assessed the assumptions used in the estimate to be balanced. We have identified 1 corrected misstatement as per page 20.

Key Accounting Estimates	Page 10
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Valuation Of Pension Liabilities/Estimates	The pension liabilities balance has remained consistent with the prior year. Based on our actuary's review, the overall assumptions adopted by the Authority are balanced, and within a reasonable range.
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Misstatements in respect of Disclosures	Page 20
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Misstatement in respect of Disclosures	Our findings
Accounting Policies	Due to the receipt of grant funding for the first time in year, the Authority incorrectly omitted an accounting policy relating to grants, which has now been updated.

Number of Control deficiencies	Page 21
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Significant control deficiencies	0
Other control deficiencies	0
Prior year control deficiencies remediated	0

Outstanding matters

Our audit is substantially complete except for the following outstanding matters:

- Disclosure checklist
- Final KPMG review of work completed
- Management representation letter
- Finalise audit report and sign

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 the Authority operates.

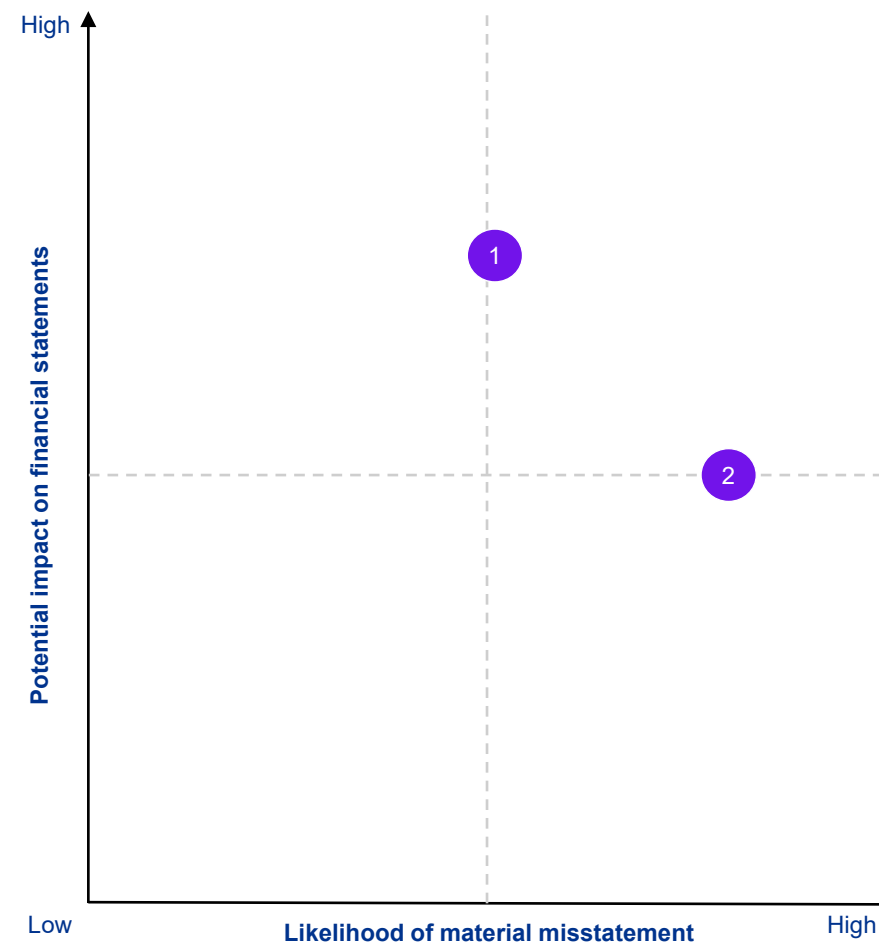
We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

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

Significant risks

1. Management override of controls
2. Valuation of post retirement benefit obligations

Key: # Significant financial statement 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.

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

Key:

0 Prior year 1 Current year



Our response & findings

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

- 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 and deem these to be appropriate.
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments. We note that in line with our prior year finding, whilst management were able to evidence what they deem to be an effective review process for journals, the journal control does not meet the strict criteria and thresholds set as per the auditing standards. As we have already reported this deficiency in the prior year, we are not re-raising this separately in the current year, but instead have followed up the prior year recommendation on page 21.
- 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 Authority's normal course of business or are otherwise unusual.
- With regards to the financial reporting and journals process, we performed the following over journal entries and other adjustments:
 - Evaluated the completeness of the population of journal entries with no issues noted.
 - Determined high risk criteria and selected 1 journal based on these criteria for testing. We are satisfied that there was no indication of unusual activity and that the journal was appropriate and authorised in line with the Authority's policies.

Our procedures did not identify any significant unusual transactions.

Audit risks and our audit approach



2

Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Authority's pension liability could have a significant effect on the financial position of the Authority.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Authority in completing the year end valuation of the pension deficit and the year-on-year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Our response

We have performed the following procedures :

- We obtained an understanding of the pensions process for setting and approving the assumptions used in the DBO valuation;
- Auditing standards require auditors to identify a management control where there is a significant audit risk. We assessed Management's controls that ensure the appropriateness of actuarial assumptions for the preparation of the DBO accounting estimate;
- Evaluated the competency, objectivity of the Fund actuaries and confirmed their qualifications and the basis for their calculations;
- Performed inquiries of the Fund actuaries to assess the methodology and key assumptions used;
- Challenged, with the support of KPMG pensions actuarial specialists, the key assumptions applied, the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Vouched data provided by the audited entity to the Fund Administrator for use within the DBO accounting estimate calculation;
- Confirmed that the pensions disclosures adopted by the Authority are in line with IAS19 and the SORP;
- Assessed the level of surplus that should be recognised by the entity; and
- Assessed the impact of any special events, where applicable.

Key:

 Prior year  Current year

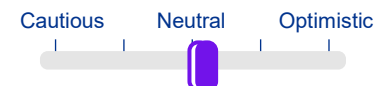
Audit risks and our audit approach (cont.)



2

Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Authority's pension liability could have a significant effect on the financial position of the Authority.
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Our findings

- We acknowledge that there is a review of key assumptions by management, but we do not place reliance on this control due to the lack of precision and documentation. Whilst this Management Review Control may be achieving the control objective set by management (we have not confirmed this), it does not meet the control requirements as defined by auditing standards. As we have already reported this deficiency in the prior year, we are not re-raising this separately in the current year but instead have followed up the prior year recommendation on page 22.
- The Fund actuaries are professionally qualified to perform actuarial valuations and prepare IAS19 disclosure reports whilst being Fellows of the Institute of Actuaries in the UK;
- The actuarial assumptions methodology is consistent with the prior year and compliant with the reporting framework. The actuarial assumptions utilised by the Authority are balanced compared to KPMG Central Rates. All individual assumptions are balanced except mortality future improvements which is cautious compared to KPMG Central Rates but within KPMG's reasonable range.
- We performed further testing on benefits paid, contributions, and return on assets by comparing the initial IAS 19 report dated 6 May 2025 with the actuals provided by the third-party administrator. The variance in contributions was below our acceptable threshold, however the actual benefits paid were significantly higher than those reported in the IAS 19 report. Consequently, the variance in asset testing also exceeded our acceptable threshold. A revised IAS 19 report dated 3 September 2025 was subsequently shared with us and a corrected audit misstatement has been identified as per page 20. Following this update, all variances fell within acceptable limits, and no further work was necessary.
- Based on our analysis, we consider that the Authority has calculated the impact and applied IFRIC 14 appropriately as at the Year-end

Key:

Prior year Current year



Procedures 3-6: UK assumptions



Overall assessment of assumptions for audit consideration						 <i>Balanced</i>		
Underlying assessment of individual assumptions		Methodology	Consistent methodology to prior year?	Compliant methodology with accounting standard?	Employer	KPMG	Assessment	Key assumption
Discount rate		AA yield curve	✓	✓	5.80%	5.79%		✓
CPI inflation		Deduction to inflation curve with adjustment for recent inflation experience	✓	✓	2.75%	2.74%		✓
Pension increases		In line with CPI	✓	✓	2.75%	2.82%		
Salary increases		Employer best estimate	✓	✓	CPI plus 0.6%	In line with long-term remuneration policy		
Mortality	Base tables	In line with most recent Fund valuation	✓	✓	Fund-specific based on Club Vita curves	In line with Fund best-estimate		✓
	Future improvements	In line with most recent Fund valuation, updated to use latest CMI model	✓	✓	CMI 2023, 1.5% long-term trend rate, 0.25% initial addition parameter and default other parameters	CMI 2023, 1.25% long-term trend rate and default other parameters		✓
Other demographics		In line with most recent Fund valuation	✓	✓	50% of the maximum tax-free cash	In line with Fund experience		



Key accounting estimates and management judgements– Overview



Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Present Value Of Funded LGPS Liability	Cautious Neutral Optimistic	(22.786)	(3.933)	Needs improvement Neutral Best practice	The pension liabilities balance has remained consistent with the prior year. Based on our actuary's review, the overall assumptions adopted by the Authority are balanced, and within a reasonable range.
Valuation Of LGPS Asset	Cautious Neutral Optimistic	33.346	0.578	Needs improvement Neutral Best practice	The scheme assets increased by 1.76% during the year. This was primarily driven by a net return on assets of £874k, which helped offset the net outflow of £296k arising from contributions of £985k and benefits paid of £1,281k. This modest growth reflects stable investment performance despite higher benefit payments.

Key:

Prior year Current year

Significant audit misstatements



Management has approved the correction of the audit misstatements detailed on page 20 and they are reflected in the draft financial statements. There are no uncorrected audit misstatements.

The misstatements identified are summarised in the table on the right.

In line with ISA (UK) 450 we request that you correct uncorrected misstatements, however we note that none have arisen during this audit.

- For our views on management estimates – see Page 10 (Key accounting estimates)
- A detailed summary of corrected audit misstatements and omissions and errors in disclosure is included on page 20.

Audit misstatements

	Type	£	Comment
Corrected misstatements			
Benefits Paid – LGPS	Factual	511,000	Actual benefits paid as per administrator confirmation were materially higher than those reported in the IAS 19 report dated 6 May 2025. We raised this discrepancy with management, who acknowledged the issue and provided a revised IAS 19 report dated 3 September 2025. Following this update, the variance was resolved and fell within an acceptable threshold.
		511,000	

Disclosure Misstatements

Matter	Comment
Accounting Policy Disclosure	Due to the receipt of grant funding for the first time in year, the Authority incorrectly omitted an accounting policy relating to grants, which has now been updated.

Types of misstatement

Factual: Misstatements about which there is no doubt

Projected: Our best estimate of misstatements in the audited populations

Judgemental: Differences arising from judgements of management that we consider unreasonable or inappropriate

Other matters

Narrative report

We have read the contents of the Narrative Report and checked compliance with the requirements of the Annual Report and financial statements with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ('the Code'). Based on the work performed:

- We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements of the Council. As Audit and Governance Committee members you confirm that you consider that the Narrative Report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

Annual Governance Statement

We have reviewed the Council's 2024/25 Annual Governance Statement and confirmed that:

- It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

Whole of Government Accounts

We are not required to perform any specified procedures or return the WGA consolidation pack to NAO. However, we do not anticipate being able to certify the audit as complete until the NAO conclude their work over the Local Government WGA at a national level.

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 does not include any additional fees relating to scope variations.

We have not completed any non-audit work at the Authority during the year.

01

Value for money

Value for Money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We have prepared our Auditor's Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have identified no risks of a significant weakness in the Authority's arrangements to secure value for money. We have no recommendations to report.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Performance improvement observations

As part of our work we have identified no Performance Improvement Observations, which are suggestions for improvement but not responses to identified significant weaknesses.

Appendix

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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 was 1 adjusted audit differences with nil surplus impact. See page 11.
Unadjusted audit differences	☒ OK There were nil unadjusted audit differences.
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 Authority management, employees with significant roles in entity wide 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.

Type	Response
Significant difficulties	☒ OK No significant difficulties were encountered during the audit.
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. The narrative report is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	☒ OK There are no independence issues. 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 Authority'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 No significant matters arose during the audit.
Certify the audit as complete	☒ OK We are not required to perform any specified procedures or return the WGA consolidation pack to NAO. However, we do not anticipate being able to certify the audit as complete until the NAO conclude their work over the Local Government WGA at a national level. Additionally, we have not yet been able to complete our work on the consistency of the Pension Fund's annual report with the associated financial statements.

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.

Authority (1)	2024/25 (£)	2023/24 (£)
Scale fee as set by PSAA	163,047	148,276
ISA315 (R)	-	9,500
IAS29 Assurance Letters (2)	TBC	35,762
VAT Specialist	-	3,972
TOTAL	163,047	148,276

(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.

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 and audit staff is not impaired.

To the Audit and Governance Committee members

Assessment of our objectivity and independence as auditor of [entity name]

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/directors 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.

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

Confirmation of Independence (cont.)



Summary of fees

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

Fee ratio

There are no non audit fees to consider as part of this ratio calculation. As such we do not consider that the total non-audit fees create a self-interest threat.

	2024/25
	£
Scale fee	163,047
Total Fees	163,047

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

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 Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the director and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group 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



Corrected & Uncorrected audit misstatements



Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit & 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. There are no such uncorrected audit misstatements.

Under UK auditing standards (ISA (UK) 260) we are also required to provide the Audit & Governance Committee with a summary of **corrected** audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Corrected Audit Misstatements (£)				
No.	Detail	SOCI Dr/(Cr) (£'000)	SOFP Dr/(Cr) (£'000)	Comments
1	Dr Defined Benefit Liabilities Cr Defined Benefit Assets		511 (511)	A corrected misstatement was raised following a £511k increase in Benefits per the updated IAS 19 report, resulting in a decrease in both the Defined Benefit assets and liabilities. Management have incorporated this adjustment in the financial statements to reflect the revised actuarial data.
Total		-	-	

Corrected Disclosure Misstatements		
No.	Detail	Comments
1	Accounting Policy Omission	Due to the receipt of grant funding for the first time in year, the Authority incorrectly omitted an accounting policy relating to grants, which has now been updated.

Control Deficiencies



We have followed up the recommendations from the previous year's audit. In summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
2	0	2

#	Risk	Issue, Impact and Recommendation	Management Response	Current Status (October 2025)
1	2	Journals review Control 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 have determined that the Authority's control does not meet these criteria.	We are satisfied that the journal controls in place across both 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.	We note that this recommendation has not been implemented, and the control deficiency re-occurs in the current year. However, we note that the Authority is satisfied with its current arrangements in place for the review of journals and accepts any residual risk. As this has previously been reported to those charged with governance, we have not re-raised this deficiency in the current year

Control Deficiencies (cont.)



#	Risk	Issue, Impact and Recommendation	Management Response	Current Status (October 2025)
1	2	Management review of Actuarial Assumptions Management reviews the assumptions and methodologies used in the calculation of the IAS 19 report. This includes inputs to testing such as cash flow, membership data and asset balances. This is based on their understanding of the pension scheme, the accounting standard and the business process and circumstances. However, we identified that there is no criteria or threshold developed for investigation/identification of outliers for pension assumptions. Therefore, it does not allow for an objective criteria to perform their review on and therefore the control is ineffective.	Management instructs the external actuary each year with sufficient detail for the actuary to provide the required calculations for the IAS 19 disclosures and for this work to be carried out with appropriate professional expertise and to the required standards. Management review of the assumptions used by the actuary and their reports and supporting documentation is carried out internally by management in relation to reviewing the detailed information provided, including to ensure accuracy of the inputs used and sense check the appropriateness of assumptions based on knowledge of the accounting requirements and the circumstances of the Authority as an employer in the scheme. From discussion with the auditor, it would seem that the only way to meet the stringent requirements of the auditing standards for management review would entail the use of an internal actuarial specialist to review the work of our appointed actuary. Clearly this would not be feasible and would not represent value for money, as this would in essence involve duplicating the work done by the appointed actuary. The Authority is satisfied that the controls we have in place for review of actuarial assumptions are appropriate and sufficient.	We note that this recommendation has not been implemented, and the control deficiency re-occurs in the current year. However, we note that the Authority is satisfied with its current arrangements in place for the review of the actuarial assumptions and accepts any residual risk. As this has previously been reported to those charged with governance, we have not re-raised this deficiency in the current year

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 director 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 and Governance Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

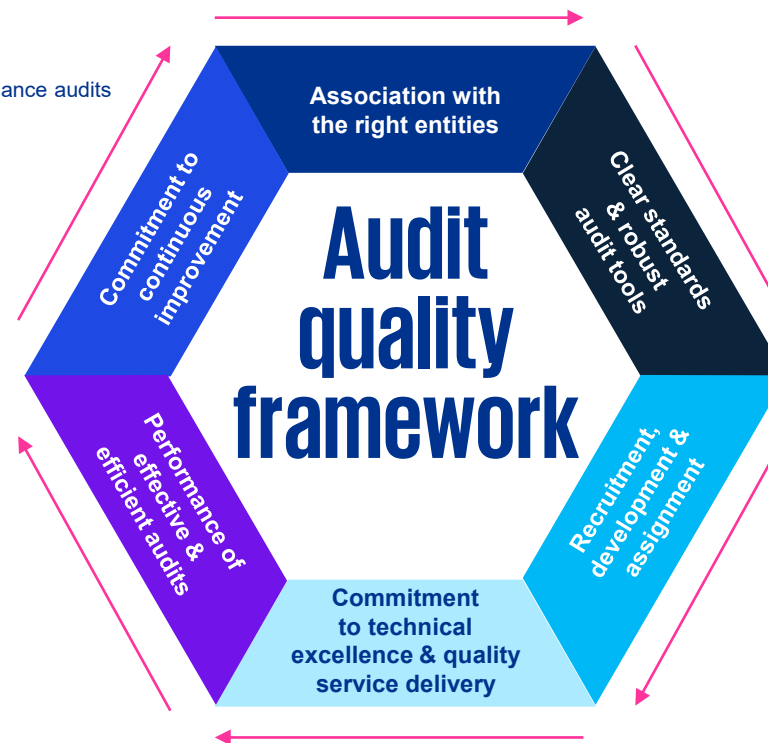
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ 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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