

# ENQUIRIES OF MANAGEMENT

Lincolnshire Pension Fund

March 2022

# INTRODUCTION

- The International Standards on Auditing (ISA), specifically ISA 240, 250, 540, 550 and 570, require auditors to perform certain procedures to obtain an understanding of the entity and its environment, including the entity's internal control. These procedures include making appropriate inquiries of management and others within the organisation, for the purpose of obtaining information for use in identifying the risks of material misstatement due to fraud and other issues.
- The purpose of this document is to record management's assessment against these requirements.

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Inquiry Area	Description	Response
<b>Fraud</b> <b>[ISA 240.17a]</b>	What is management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessment?	<p>Overall, we consider the risk that the financial statements may be materially misstated due to fraud is low.</p> <p>Materiality for fraud risk within the Pension Fund Accounts is £29.3m.</p> <p>Management acknowledges that inherent fraud risks are ever present but has systems of internal control to manage and reduce this risk. These include:</p> <p><u>Lincolnshire Pension Fund/County Council Internal Controls</u></p> <p>Financial procedures are in place to provide guidance over accounting records and financial systems:</p> <ul style="list-style-type: none"> <li>• Financial Procedure 2: Risk Management and Internal Control includes Audit and Fraud, and Preventing Fraud and Corruption;</li> <li>• Financial Procedure 3: Accounting Records and Financial Systems sets out provision for maintaining accuracy and reliability in accounting records; and</li> <li>• Financial Procedure 4: Control of Resources includes cash management (Treasury Management, Bank Accounts and Bank Reconciliations.</li> </ul> <p><u>Lincolnshire County Council Internal Audit</u></p> <p>Assurance Lincolnshire delivers the internal audit function to provide independent, objective and risk-based assurance on the internal control environment. Assurance mapping is in place and annual plans support due diligence reviews of key financial systems.</p> <p>A separate Counter Fraud and Investigations team has been established to support the council minimise fraud and corruption risks. A fraud risk register is maintained for the Council and assessments are reported annually to Audit Committee.</p>

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		<p><u>Shared Service Administrator Internal Controls</u></p> <p>West Yorkshire Pension Fund, as shared service administrator also has internal controls in place to reduce the risk of fraud. Specifically linked to the administration service, these include:</p> <ul style="list-style-type: none"> <li>• Annual participation in the National Fraud Initiative (NFI) for pensioner payments; and</li> <li>• Use of schemes/arrangements, such as: ‘Tell Us Once’.</li> </ul> <p><u>Shared Service Administrator Internal Audit</u></p> <p>Bradford Council Internal Audit section have a five-year audit plan for West Yorkshire Pension Fund, they also undertake ad hoc reviews where risk is identified.</p>
<p><b>Fraud</b> <b>[ISA 240.A12]</b></p>	<p>What controls and processes has management established to prevent, detect, deter and mitigate fraud?</p> <p>How does management monitor these controls and processes?</p>	<p><u>Lincolnshire Pension Fund/County Council</u></p> <p>The Council adopts a zero-tolerance approach to fraud. This is demonstrated in a range of measures including:</p> <ul style="list-style-type: none"> <li>• Counter Fraud and anti-corruption policy (currently being refreshed) and fraud response plan</li> <li>• Anti-money laundering policy</li> <li>• Whistleblowing policy and arrangements including confidential reporting facility</li> <li>• Dedicated resources in Counter Fraud and Investigations Team (CFIT) – including accredited counter fraud specialists and investigators</li> <li>• Well established networks with counter fraud specialists and enforcement officers (local, regional &amp; national)</li> <li>• Fraud awareness work – internal communications, eLearning, programmes, bespoke and support targeted to high risk areas</li> </ul>

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		<ul style="list-style-type: none"> <li>• Proactive work programme – delivered by CF team to deter and detect</li> <li>• Due diligence checks (internal audit)</li> <li>• Participation in National Fraud Initiative (NFI) led by the Cabinet Office</li> </ul> <p>Investigation of concerns and reports of fraud or irregularity followed by appropriate sanctions &amp; recovery actions. This is supported by the sanctions set out in the Council’s Codes of Conduct and employment policies.</p> <p>A reporting framework is in place; Counter Fraud Investigations Team (CFIT) produces regular fraud related reports for Audit Committee, covering:</p> <ul style="list-style-type: none"> <li>• Annual Counter Fraud Plans</li> <li>• Progress and Annual Reporting to demonstrate achievements against the plan</li> <li>• Annual Whistleblowing reports</li> <li>• Fraud Risk Assessment</li> <li>• Self-assessment against best practice set out in the latest Fighting Fraud and Corruption Locally (FFCL) recommendations</li> </ul> <p>Corporate Leadership Team (CLT) and Resources Leadership Team (RLT) are sighted to these reports in advance of Audit Committee meetings.</p> <p>Similar reporting arrangements are in place for Internal Audit to make sure management and members receive assurances around risk management and governance arrangements.</p>

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		<p><u>Shared Service Administrator</u></p> <p>Arrangements in place at the Share Service Administrator include:</p> <ul style="list-style-type: none"> <li>• Trained staff, with adequate capacity and resource to deliver required services and adequately rewarded;</li> <li>• System based scheme of delegations, authorisation, controlled payables + receivables;</li> <li>• Daily cash reconciliations to bank statement downloads;</li> <li>• Suspense account clearance;</li> <li>• Expenditure/budget monitoring;</li> <li>• Preapproved purchase orders / commitments;</li> <li>• Planned and unplanned internal audit reviews;</li> <li>• Pension scams training; and</li> <li>• Dedicated Bradford Council Fraud Investigations Team.</li> </ul>
<p><b>Fraud</b> <b>[ISA 240.17b]</b></p>	<p>What is management’s process for identifying and responding to the risks of fraud in the entity, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of</p>	<p><u>Lincolnshire Pension Fund/County Council</u></p> <p>The Council has appropriate counter fraud, anti-corruption, anti-money laundering and whistleblowing polices.</p> <p>Reliance is placed upon an appropriate internal control environment and financial management arrangements. Management is accountable for the 'management processes' – the procedures are covered in Financial Procedure 2 and the Counter Fraud Policy which includes a paragraph about accountabilities and specific responsibilities for stakeholders.</p> <p>Internal Audit provides an independent objective review, in accordance with PSIAS standards; any fraud concerns are</p>

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	transactions, account balances, or disclosures for which a risk of fraud is likely to exist	referred to CFIT for follow up. Confidential reporting and whistleblowing arrangements are established, so that staff, contractors, Councillors or the public are able to report any concerns of wrong doing.  Management are encouraged to contact CFIT for counter fraud advice at an early stage. A fraud response plan is in place to allow CFIT to investigate any referrals, and where fraud is found, action is taken for sanctions and recovery.
<b>Fraud [ISA 240.A14]</b>	Are there particular operating locations or business segments for which a risk of fraud may be more likely to exist?	In line with key fraud risks highlighted nationally and consideration of the Council's own fraud risk profile, we believe areas to focus on are: <ul style="list-style-type: none"> <li>• Cyber Risks;</li> <li>• Contracts/Procurement; and</li> <li>• Corruption, bribery, serious and organised crime.</li> </ul>
<b>Fraud [ISA 240.17c]</b>	What is the nature and extent of management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the Fund?	The Audit Committee is a Regulatory Committee of the Council and is a key component of the Council's corporate governance. They provide high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. This includes: <ul style="list-style-type: none"> <li>• The Audit Committee work plan is structured to include regular reports from Internal Audit, Risk Management and CFIT functions of Assurance Lincolnshire. Reports include:</li> <li>• Annual plans for audit and counter fraud work</li> <li>• Updates of progress against plans – including summaries of audits completed and investigation outcomes</li> <li>• Annual fraud risk assessment</li> <li>• Results of audit's combined assurance mapping exercises</li> </ul>

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		<ul style="list-style-type: none"> <li>• Annual Governance Statement</li> </ul> <p>In addition to the Council wide arrangements:</p> <ul style="list-style-type: none"> <li>• The Pensions Committee and Pensions Board consider the Fund’s risk register on an annual basis, with quarterly updates to report any emerging issues</li> <li>• The Pensions Committee and Pensions Board receive summary information on internal audit reviews undertaken by Assurance Lincolnshire and Bradford Council Internal Audit Team on the Share Administration Service.</li> <li>• Annually (in October) the Pensions Board review all internal audit work conducted in the last 12 months.</li> <li>• During 2021/22 the Pensions Board received a presentation from the Share Service Administrator on how they manage cyber risk.</li> </ul>
<p><b>Fraud</b> <b>[ISA 240.17d]</b></p>	<p>What is the nature and extent of management’s communication, if any, to employees regarding its views on business practices and ethical behaviour?</p>	<p><u>Lincolnshire Pension Fund/County Council</u></p> <p>The Council has a Code of Conduct for employees; it sets out expected ethical standards and is based on Nolan Principals for standards in public life. New employees are made aware of The Code of Conduct as part of the Council’s induction process.</p> <p>The Code of Conduct is incorporated into the Council’s employment policies and is supported by disciplinary policies and procedures. The Council’s employment policies were refreshed in 2020. Mandatory training courses were available for all managers and the disciplinary policy training made specific reference to Codes of Conduct and reporting of concerns via the CFIT team.</p> <p>Fraud awareness is regularly communicated to employees via ‘The Counter Fraud Hub’, in ‘News Lincs’ and Management bulletins delivered by Internal Communications. This reinforces the zero-tolerance approach taken in the counter fraud policy. A targeted approach is taken where there is an increased risk; for example, management communications around</p>

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		<p>bank mandate fraud risks.</p> <p>CLT oversees the Council's governance arrangements and the development of the Annual Governance Statement. There is also a corporate governance group of officers whose role is to support the Council to ensure that it complies with the standards of good governance and a Governance Action Plan is in place.</p>
<p><b>Fraud</b> <b>[ISA 240.18]</b></p>	<p>Are you aware of or have you identified any instances of actual, suspected or alleged fraud within the Pension Fund? This includes instances of misconduct or unethical behaviour related to financial reporting or misappropriation of assets.</p> <p>Where you are aware of such instances how have these been addressed?</p>	<p>We are not aware of any instance of fraud within the Pension Fund.</p> <p>The Council has in place robust arrangements in place if such an instance arose.</p>
<p><b>Fraud</b> <b>[ISA 240.A14]</b></p>	<p>What is the nature and extent of management monitoring of operating locations or business segments for fraudulent activities, including fraudulent financial reporting?</p>	<p><u>Assurance Lincolnshire</u></p> <p>Internal Audit delivers a risk-based programme, including due diligence work of key financial systems to provide management with assurance about the effectiveness of internal controls in place.</p> <p>Additional pro-active Counter Fraud reviews are undertaken by CFIT where there is heightened risk of fraud.</p>

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		<p><u>Shared Service Administrator</u></p> <p>Quarterly management meetings are held with the Shared Service. Reporting here includes the work of internal audit, details of the NFI review.</p> <p>The Shared Service Administrator also provides a quarterly update to the Pensions Committee and Pensions Board on their activity during the last quarter.</p> <p><u>Pensions Committee and Pensions Board</u></p> <p>Management provide quarterly reports to the Pensions Committee and Pensions Board covering all aspects of the work of the Fund.</p> <p>The Pensions Committee and Pensions Board receive summary information on internal audit reviews undertaken by Assurance Lincolnshire and Bradford Council Internal Audit Team on the Share Administration Service.</p> <p>Annually (in October) the Pensions Board review all internal audit work conducted in the last 12 months.</p>
<p><b>Transactions Outside the Normal Course of Business</b> [ISA 240.32c]</p>	<p>Is management aware of any significant transactions outside the normal course of business for the entity?</p>	<p>We are not aware of any transactions outside the normal course of business for the Pension Fund.</p>
<p><b>Laws and Regulations</b> [ISA 250.A11]</p>	<p>What legal and regulatory frameworks are applicable to the Fund?</p>	<p>The legislative framework for the Pension Fund comes from: the Pensions Act 2004, the Public Service Pensions Act 2013 and the Pension Schemes Act 2021. There are also specific LGPS regulations relating to benefits, administration, funding, governance, communications and investment (LGPS Regulations 2013, as amended).</p> <p>There is also the general legislative framework for local authorities, which cover the Pension Fund, including requirements</p>

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<b>Laws and Regulations [ISA 250.A11]</b>	What laws and regulations have a direct effect on the determination of material amounts or disclosures in the financial statements?	<p>such as: Freedom of Information and GDPR.</p> <p>The Pension Fund Accounts are prepared using IFRS's as interpreted by CIPFA in the Code of Practice. Further guidance comes from CIPFA for preparation of the Annual Report and on accounting for investment management costs.</p> <p>The Fund is also covered by the Accounts and Audit Regulations 2015.</p>
<b>Laws and Regulations [ISA 250.15a]</b>	How is the Fund complying with the legal and regulatory framework?	<p>Lincolnshire County Council as the Administering Authority for the Lincolnshire Pension Fund is responsible for maintaining and investing its own Fund for the LGPS. The Council has in place:</p> <ul style="list-style-type: none"> <li>• A Pensions Committee to advise the Council on arrangements for dealing with the Pension Fund – full details of the Committee's Terms of Reference can be found in the Council's Constitution.</li> <li>• A Local LGPS Pension Board to ensure compliance with the Regulations and effective governance and administration of the Scheme.</li> <li>• The S151 officer acts as Scheme administrator. Their responsibilities in respect of the Pension Fund are set out in the Council's Constitution.</li> <li>• Appropriately qualified and experience staff managing the Pension Fund.</li> </ul> <p>The Pensions Committee, Board and Senior Officers receive regular reports on all aspects of the Fund's management. Decision-making is made within the requirements set out in the Council's Constitution and Financial Regulations.</p>
<b>Laws and Regulations [ISA 250.A11]</b>	What policies, procedures, and controls has management established to	<p>The Council has in place a Constitution that provides the framework for all Council operations. This covers decision-making (including the responsibilities of the Pensions Committee), financial regulations, as well as the Code of Conduct</p>

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	<p>prevent instances of non-compliance with laws and regulations?</p>	<p>for Members and Officers.</p> <p>In addition to the Council's regulatory framework the Fund has a suite of policies which provide the framework within which the Fund operates. These include:</p> <ul style="list-style-type: none"> <li>• Investment Strategy Statement;</li> <li>• Governance and Compliance Statement;</li> <li>• Communications Policy;</li> <li>• Stewardship Code;</li> <li>• Breaches Reporting;</li> <li>• Code of Conduct;</li> <li>• Funding Strategy Statement; and</li> <li>• Administration Strategy.</li> </ul> <p>These are reviewed and approved by the Pensions Committee Annual (at the quarterly meeting in March).</p> <p>Monitoring of controls come from: reporting to Pensions Committee and Board, the work of the LGPS Local Pensions Board and Internal Audit.</p>
<p><b>Laws and Regulations [ISA 250.A15]</b></p>	<p>Are you aware of any instances of actual, suspected or alleged non-compliance with laws and regulations, including actual</p>	<p>We are not aware of any non-compliance with laws and regulations or illegal acts.</p> <p>In addition to the in-house legal team (which the Fund uses for legal advice on Fund employer matters). During 2021/22 the Fund has used:</p> <ul style="list-style-type: none"> <li>• Eversheds Sutherland for the document review of Allianz Home Equity Fund agreement; and</li> </ul>

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	<p>or possible illegal acts?</p> <p>Other than in house legal team, can you provide details of those legal firms utilised during the year. Please indicate where they are working on open litigation or contingencies from prior years?</p>	<ul style="list-style-type: none"> <li>• Institutional Protection Services and Pinsent Masons LLP for tax dividend claims and advice.</li> </ul> <p>There is no ongoing work on open litigation or contingencies.</p>
<p><b>Laws and Regulations [ISA 250.A11]</b></p>	<p>What policies, procedures and controls has management established for identifying, evaluating and accounting for litigation, claims and assessments?</p>	<p>Financial Procedure 2 covers the Council's insurance arrangements, and the Council has an Insurance Strategy.</p> <p>There is an Insurance Fund for managing claims involving legal and insurance. The scheme of delegation sets out: approval levels, roles and responsibilities, and provides details on how claims are dealt with and settled. There is an annual actuarial review of the insurance fund to ensure its resilience and long-term sustainability. Quarterly monitoring is in place, and balances and claims are reviewed by the Head of Internal Audit &amp; Risk Management.</p>
<p><b>Laws and Regulations [ISA 250.A15]</b></p>	<p>Is the Fund involved in any litigation, claims or assessments?</p> <p>What is management's assessment of such matters?</p> <p>Which litigation, claims and assessments involving the Fund may have a material</p>	<p>Currently there are no claims or litigation pending for the Pension Fund.</p>

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	effect on the financial statements and/or may require disclosure in the financial statements?	
<b>Accounting Estimates</b> <b>[ISA 540.8b]</b>	Have there been changes in circumstances that may give rise to new or the need to revise existing accounting estimates?	<p>There are no changes expected to how accounting estimates are calculated.</p> <p><u>Note 4 Critical Judgements in Applying Accounting Policies</u></p> <p>No changes planned, will disclose Pension Fund Liability as in 2020/21 accounts.</p> <p><u>Note 5 Assumptions Made About the Future and Major Sources of Estimation</u></p> <p>No changes planned, will disclose:</p> <ul style="list-style-type: none"> <li>• Actuarial present value of promised retirement benefits;</li> <li>• Hedge Funds; and</li> <li>• Unquoted Assets.</li> </ul>
<b>Related Parties</b> <b>[ISA 550.13ab]</b>	<p>Who are the entity's related parties and what is the nature of the relationship between the Fund and each related party?</p> <p>Are there any changes in related parties from the prior</p>	<p>Expected declarations within the statement of accounts:</p> <ul style="list-style-type: none"> <li>• The relationship between LPF and LCC as the administering authority (including the cost of administering the Fund, the County Council as an employer within the Fund, and the provision of Treasury Management by the Council to the Fund);</li> <li>• Members of the Pensions Committee (membership of the fund) and declarations of interests made at each meeting of the Pensions Committee (from a review of Committee meeting minutes); and</li> </ul>

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	period?	<ul style="list-style-type: none"> <li>The relationship between LPF and Border to Coast Pensions Partnership (where the company is partially owned by the Fund, and acts as an investment manager for the Fund).</li> </ul> <p>Further enquiries will be made of all members of the Pensions Committee in accordance with the Code adaption of IAS24. We will rely on the responses, made to the County Council's enquiries for County Councillors and will make further enquiries for those voting members of the Committee who are not County Councillors, using the same forms as used for County Councillors:</p> <ul style="list-style-type: none"> <li>Andy Ancliffe (employer representative);</li> <li>Cllr R Waller (District Council representative); and</li> <li>Steve Larter (Small Scheduled Bodies representative).</li> </ul> <p>No changes to process from 2020/21.</p>
<b>Related Parties [ISA 550.13c]</b>	Have there been any transactions with the identified related parties during the period, and if so, what is the type and purpose of the transactions?	See above.
<b>Related Parties [ISA 550.14]</b>	<p>What policies, procedures and controls has management established to</p> <ul style="list-style-type: none"> <li>identify, account for, and disclose related party</li> </ul>	<p>The Pension Fund has a Conflicts of Interest Policy, this is reviewed, and any changes approved by the Pensions Committee each March. When a new member joins the Pensions Committee are required to sign a declaration of interest relating to the management of Lincolnshire Pension Fund. This is in addition to the normal declaration made by all County Councillors.</p>

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	<p>relationships and transactions in accordance with the applicable financial reporting framework?</p> <ul style="list-style-type: none"> <li>• authorise and approve significant transactions and arrangements with related parties; and</li> <li>• authorise and approve significant transactions and arrangements outside the normal course of business.</li> </ul>	<p>Members of the Pensions Committee are also required to declare any interests at each Pensions Committee meeting.</p> <p><u>Disclosure within the Financial Statements</u></p> <p>As part of the accounts preparation process an annual declaration form is sent out to all members of the Pensions Committee, this form is prepared to identify an related party relationships or transactions as required by the Code of Practise and IAS24.</p> <p>The responses to the declaration forms are reviewed and disclosed in the accounts as required.</p> <p>Declarations made at Pensions Committee meetings are also reviewed and disclosed in the accounts as required.</p> <p>A review of all pension fund transactions is undertaken to identify any further related party transactions.</p>
<p><b>Going Concern [ISA 570.10]</b></p>	<p>Has management made an assessment of the entity's ability to continue as a going concern?</p> <p>If so, has management identified events or conditions that, individually or collectively, may cast significant doubt on the</p>	<p>We are not aware of any events or conditions which might affect the going concern of the Pension Fund.</p>

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	<p>entity's ability to continue as a going concern and, management's plans to address them?</p> <p>If not, what is management's basis for the intended use of the going concern assumption?</p>	
<p><b>Going Concern [ISA 570.15]</b></p>	<p>Is management aware of any events or conditions beyond the period of management's formal assessment that may cast significant doubt on the entity's ability to continue as a going concern?</p>	<p>We are not aware of any events.</p>
<p><b>General enquiries</b></p>	<p>What are the key events or issues that will have a significant impact on the financial statements?</p>	<p>We are not aware of any issues that will have a significant impact on the financial statements.</p> <p><u>Asset Manager Changes/Investment Changes</u></p> <p>During 2021/22 the Fund transitioned MAC manager (from PIMCO to Border to Coast). A transfer of ~£92m was made from PIMCO to Border to Coast in October 2021. A further £54m cash was added into the Border to Coast MAC Fund (from rebalancing overweight positions in Global and UK Equities).</p> <p>We were notified by Aviva that their Property Unit Trust Fund was going to be wound up. In January 2022 the Fund received ~£32.2m cash back from the manager.</p>

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		<p>The Fund also appointed a new Property Manager (Allianz), making a £30m commitment to their Home Equity Fund, so far ~£6m has been called by the manager.</p> <p>These movements will be seen in the Financial Statements in Note 12A Reconciliation of Movements in Investments, although none of these changes have a significant impact on the financial statements.</p>
<b>General enquiries</b>	Have you, or are you planning to, adopt any new accounting policies?	<p>Accounting policies for the Pension Fund were presented to and approved by the Council’s Audit Committee and the Pensions Committee in March 2022. A copy of the paper presented to the Pensions Committee (including the Accounting Policies has been provided in Huddle).</p> <p>There are no changes to the 2021/22 Accounting Policies.</p>

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