

Final Audit Findings (ISA 260) Report for East Sussex Pension Fund

Year ended 31 March 2025

February 2026



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Dear Members of the Audit Committee,

Audit Findings for East Sussex Pension Fund for the 31 March 2025

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with Management, the Pensions Board, Audit Committee and the Pensions Committee.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf](#).

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

Parris Williams

Director
For Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

Headlines

Updates to the AFR from September 2025

A draft version of the Audit Findings Report (AFR) was presented to the Audit Committee on 19 September 2025. Since that date, we have completed remaining substantive audit procedures and updated the AFR to reflect the outcomes of this work.

Completion of work on Significant Classes of Transactions

All audit work over Significant Classes of Transactions has now been concluded, along with the associated internal review processes. This work did not result in any material adjustments or changes to disclosures within the financial statements.

Unadjusted Misstatements

As discussed at the September meeting, we have identified an unadjusted misstatement of £3.11m arising from the completion of our benefits payable testing. This was not included in the earlier draft due to timing. This unadjusted misstatement arose from the completion of our benefits payable testing. This misstatement is not expected to be adjusted, as it has been derived through extrapolation of smaller differences identified across our benefits payable sample testing. The extrapolated error relates to discrepancies between sample amounts and the amounts calculated by both the client and our audit team. Further information on this update is noted against the work completed on page 22 and within the unadjusted misstatement on page 41.

Disclosure Misstatements

A small number of additional disclosure misstatements have been identified since the September presentation. Most have been corrected by management. Three immaterial disclosure misstatement remains unadjusted, having been assessed as immaterial on both quantitative and qualitative grounds. Further information is provided on pages 43-46.

IT Systems Work

Our audit work relating to the relevant IT systems has also been completed. The wider implications for both the Council and the Pension Fund will be reported separately to the Audit Committee. A summary of the audit conclusions has been incorporated into this updated AFR on pages 30-33.

Consistency Opinion

As the Pension Fund Annual Report has now been finalised ahead of the 1 December deadline, we also confirm our intention to issue our 'consistency' opinion on the Annual Report in line with the timing of our opinion on the financial statements.

Headlines

Financial statements

Introduction

These are the key findings and other matters arising from the statutory audit of East Sussex Pension Fund (the ‘Pension Fund’) and the preparation of the Pension Fund’s financial statements for the year ended 31 March 2025 for the attention of those charged with governance and both the Pensions Board and Committee.

ISA Requirements

Under the National Audit Office (NAO) Code of Audit Practice (the ‘Code’), we are required to report whether, in our opinion:

- the Pension Fund’s financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund’s assets and liabilities.
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Audit Work

Our audit work commenced as planned on the 16th June. Your pension fund team produced a good set of financial statements accompanied by a full suite of working papers in line with the agreed timetable. It is worth noting that our timetable was 2 weeks before the statutory deadline of the end of June.

In line with our plan we were able to complete the substantive work ahead of the end of September 2025. Similar to our experience in prior years, both the quality of information provided and the communication from your pension fund team has been exemplary, and we would therefore like to extend our gratitude to management for their continued efforts and cooperation during the audit.

As at the date of drafting this report, we have identified 2 misstatements that impacts the Net Assets Statement and the Fund Account. The first misstatement relates to the valuation of level 3 investments where our testing identified a circa £8.2m understatement.

This error is a result of timing rather than any underlying control deficiency. Investment managers provide estimated values to enable management to produce the accounts. Since publication of the draft accounts, some investment managers revised their estimated values with better information. This is not something unique to your pension fund and is a common finding in many of our LGPS audits.

The second unadjusted misstatement arises from the benefits payable testing. Completion of this work resulted in an additional projected misstatement of £3.11 million, which is marginally above the triviality threshold. This misstatement is not expected to be adjusted, as it has been derived through extrapolation of smaller differences identified across our benefits payable sample testing. The extrapolated error relates to discrepancies between sample amounts and the amounts calculated by both the client and our audit team.

Continued overleaf . . .

Headlines

Audit Work - continued

As the sum of both differences of £11.294m is not material, management have not updated their financial statements, and we are therefore required to report these to you as an unadjusted misstatement as the difference exceeds triviality. See pages 40-41 for more information.

We have also, identified a small number of presentation and disclosure misstatements which management have mostly adjusted for, and these are set out on pages 43-46.

As at the date of drafting this report we have also raised 1 control recommendations for management, to ensure best practice which is detailed on page 47.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our proposed audit opinion or material changes to the

financial statements, subject to the following outstanding matters:

- receipt of management representation letter; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Audit Opinions

Our anticipated opinion on the financial statements will be unmodified.

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

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report in line with our opinion on the accounts.

Headlines

Local & National Context

Local Context

'Fit for Future' impact

As per the Government's response to 'Fit for Future Consultation', the ACCESS Pool, in which the Fund has significant investment in, is confirmed as not continuing beyond March 2026. The Fund are therefore required to transfer their investments to an alternative pool.

Since the Government's announcement, we are aware that the Fund has carried out significant work to move forward with this. As the letter provided by Government required authorities to respond and to be cognisant of Local Government Devolution and Reorganisation, East Sussex has been working with West Sussex to provide a "Sussex" recommendation. The Funds have been supported in this work by Barnett Waddingham and the culmination of this has been a report to the 24th July Pensions committee and announcement of the Funds preferred option being the Border to Coast Pensions Partnership.

Although this change has not impacted our current year audit work, we expect significant movements towards the end of the 25/26 year into 26/27.

Triennial valuation – 31 March 2025

Within the year the Pensions Admin Team have been progressing the Triennial Valuation for the 31st March 2025. To date the fund has submitted the data to Barnett Waddingham, they are now awaiting the formal Valuation reports which are expected around April 2026.

This Triennial valuation has no impact on the current year statement of accounts and audit work; however, we expect the conclusion to impact both actuarial disclosures in the next year and the IAS 19 reports for Administering, Admitted and Scheduled Bodies.

National context

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

We are pleased to report that we anticipate issuing our opinion on the pension fund financial statements alongside that of the administering authority in February ahead of the statutory deadline.

Financial statements

Financial statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance and the Pensions Committee to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the NAO Code of Audit Practice (the 'Code'). Its contents will be discussed with management and both the Audit and Pensions Committee's.

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

For East Sussex Pension Fund, the Audit Committee fulfil the role of those charged with governance. We note that there is a separate Pensions Committee which considers the draft financial statements and audit findings report and is part of the overall member oversight process.

Audit approach

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

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

We have had to alter our audit plan, as detailed later in this report on pages 13-14. This is due to a revision of materiality for the Fund Account and some changes to assertions on the significant classes of transactions upon consideration of the final account balances.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 13th February 2026.

We have substantially completed our audit of your financial statements, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 13th February 2026. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

Materiality

Our approach to materiality

As communicated in our Audit Plan dated 28th March 2025, we determined materiality at the planning stage as £63.8m based on 1.3% of Gross Investment Assets as at 31 March 2024. At year-end, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements and concluded that we have not had to revise the materiality from the planned level. We have, however, revised our specific materiality for the Fund Account, this is detailed below.

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

Basis for our determination of materiality

- We have determined materiality at £63.8m based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as Business Environment and Other Sensitivities.
- We have used 1.3% of gross investment assets as at 31 March 2024 as the benchmark for our materiality.
- This figure was initially set during our planning phase. We have since compared it to the 2024/25 figures and concluded that there has been no significant change that would require an adjustment to the levels established at planning.
- In line with the approach taken in the previous year, materiality for the Pension Fund financial statements as a whole should not exceed the admitted body auditor's materiality once the share of assets is taken into account, we have therefore taken into account the materiality of the Pension Fund admitted bodies in determining materiality which has resulted in the value being capped at 1.3%.

Performance materiality

- We have determined performance materiality at £47.9m, this is based on 75% of headline materiality. We have not had to revise performance materiality from the planned level.

Reporting threshold

- We will report to you all misstatements identified in excess of £3.1m, in addition to any matters considered to be qualitatively material.

Specific materiality for the Fund Account

- We have determined a lower separate materiality for the fund account at £22.3m, this is based on 10% of gross expenditure (in the fund account) as at March 2025.
- We have also determined a performance materiality for the fund account at £16.7m, this is based on 75% of the lower headline materiality.
- The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied. We have revised the fund account materiality as a result of an increase in gross expenditure within the 2025 financial year.

Our approach to materiality (continued)

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

Description	Final (£)	As per audit plan (£)	As per Prior Year (£)	Qualitative factors considered
Materiality for the financial statements	63,800,000	63,800,000	59,000,000	<p>In determining materiality, we have considered the following key factors:</p> <ul style="list-style-type: none"> - Business environment: the Pension Fund operates in a generally stable, regulated environment. - Other sensitivities: there has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced. <p>This benchmark is determined as a percentage of the Fund's Net Assets, and headline materiality equates to 1.3% of the Gross Net Assets per the prior year audited financial statements. Note that our firm approach is that materiality for the PF financial statements as a whole should not exceed the admitted body auditor's materiality once the share of assets is taken into account, we have therefore taken into account the materiality of the PF admitted bodies in determining materiality which has resulted in the value being capped at 1.3%.</p>
Performance materiality	47,900,000	47,900,000	44,250,000	<p>We determine a lower performance materiality as an amount less than materiality for the financial statements as a whole (i.e., planning materiality) to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In determining performance materiality, the main considerations are our view and understanding of the pension fund control environment, whether there have been significant levels of errors in prior year audits. There is not a history of significant deficiencies or a high number of deficiencies in the control environment, and in prior years there have not been a large number or significant misstatements identified. Our performance materiality is therefore calculated at 75% of our headline materiality.</p>
Trivial matters - reporting threshold	3,100,000	3,100,000	2,950,000	<p>We are obliged to report uncorrected omissions or misstatements other than those which are "clearly trivial" to those charged with governance. We have calculated our "clearly trivial" threshold as 5% of the headline materiality.</p>
Specific materiality for the fund account	22,300,000	19,500,000	19,580,000	<p>This benchmark is determined as a percentage of the Fund's expenditure, which has been determined as 10%.</p>
Specific Performance materiality for the fund account	16,700,000	14,600,000	14,685,000	<p>Performance materiality is based on a percentage (75%) of the overall materiality of the fund account. The key considerations in determining this percentage are the same as those for our headline performance materiality</p>

Overview of audit risks

Overview of audit risks

This section provides a high-level overview of the Significant and SCOT+ risks within our audit work.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Status of work
Management override of controls	Significant	↔	✓	●
Valuation of Level 3 Investments	Significant	↔	✗	●
Valuation of level 2 investments	SCOT+	↔	✗	●
Actuarial present value of promised retirement benefits disclosure – IAS 26	SCOT+	↔	✗	●
Cash and cash equivalents	SCOT+	↔	✗	●
Benefits payable	SCOT+	↔	✗	●
Contributions receivable	SCOT+	↔	✗	●
Financial instrument disclosures	SCOT+	↔	✗	●

↑ Assessed risk increased since audit plan

● Not likely to result in material adjustment or change to disclosures within the financial statements

↔ Assessed risk consistent with audit plan

● Potential to result in material adjustment or significant change to disclosures within the financial statements

↓ Assessed risk decrease since audit plan

● Likely to result in material adjustment or significant changes to disclosures within the financial statements

Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
<p>Management override of controls</p> <p>In accordance with ISA (UK) 240, we have identified a risk of fraud in respect of management override of controls.</p> <p>Significant</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"> 1. Evaluated the design and implementation effectiveness of management relevant controls over journals; 2. Analysed the journals listing and determine the criteria for selecting high risk unusual journals; 3. Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; 4. Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and 5. Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>We have noted no material adjustments or findings in relation to management override of controls.</p> <p>We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.</p> <p>Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.</p> <p>Conclusion</p> <p>There are no matters to bring to your attention in relation to this risk.</p>

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
<p>Valuation of level 3 investments (£1,120m)</p> <p>The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"> 1. Obtained an understanding of management's processes for valuing Level 3 investments; 2. Evaluated the design and implementation effectiveness of the associated relevant controls; 3. Obtained and reviewed the corresponding investment manager report as at 31 March 2025 comparing the balance with the Fund's financial statements; 4. For a sample of Level 3 investments, tested the valuation by obtaining and reviewing the audited accounts, (where available these are predominantly private equity and infrastructure funds) at the latest available date for individual investments and compared these to the fund manager reports and accounts stated valuations; 5. Note that the latest audit accounts for the individual investments are often not at the balance sheet date and so are not a satisfactory comparable for the valuation. In these cases, we have reconciled those values to the values at 31 March 2025 with reference to known movements in the intervening period (such as purchases and sales, and other cash movements on the fund) in order to arrive at an appropriate comparable to test against; 6. Reviewed purchase and sale transactions of the investment near the reporting date where appropriate; 7. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts; 8. Reviewed the methods and assumptions applied by the Fund managers; 9. Reviewed management's classification of the assets; and 10. Obtained and reviewed investment manager service auditor report on design and operating effectiveness of internal controls where appropriate. <p>There were no instances where no audited statements were available to test therefore, we did not have to devise alternative procedures to obtain an appropriate comparable to test the valuation.</p>	<p>We have noted no material adjustments or findings in relation to the valuation of level 3 investments.</p> <p>We have noted a non-trivial £8.18m understatement in respect of the valuation of level 3 investments. This is due to timing differences between the production of the accounts and investment manager confirmations, which come through later. Further information can be found on page 40.</p> <p>We are satisfied that judgements made by management are appropriate and the valuations have been determined using consistent methodology.</p>
<p>Significant</p> <p>Relevant assertion(s) Valuation, Existence</p> <p>Applicable assertion(s) Rights & Obligations, Presentation, Completeness</p> <p>Planned level of control reliance None</p>		<p>Conclusion</p> <p>Aside from the misstatement above, there are no matters to bring to your attention in relation to this risk.</p>

Significant Classes of Transactions

Significant classes of transactions, account balances, and disclosures (SCOT+s), are associated with risks of material misstatement but are not linked to a significant risk. This section provides commentary on the SCOT+ risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
<p data-bbox="104 439 570 529">Valuation of level 2 investments (£3,328m)</p> <p data-bbox="104 548 715 733">The valuation of level 2 investments can be judgemental where they cannot be valued directly, as a result the valuation of level 2 investments has been identified as a significant class of transactions.</p> <div data-bbox="104 768 333 825" style="background-color: #4a4a9a; color: white; padding: 5px; text-align: center; margin: 10px 0;">SCOT+</div> <p data-bbox="104 872 407 908">Relevant assertion(s) Existence, Valuation</p> <p data-bbox="104 969 435 1005">Applicable assertion(s) Rights & Obligations, Presentation, Completeness</p> <p data-bbox="104 1103 563 1139">Planned level of control reliance None</p>	<p data-bbox="741 439 1360 475">As part of our audit procedures, we have:</p> <ol data-bbox="741 494 1829 1243" style="list-style-type: none"> <li data-bbox="741 494 1753 565">1. Gained an understanding of the Fund’s process for valuing Level 2 investments; <li data-bbox="741 586 1803 694">2. Reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; <li data-bbox="741 715 1803 786">3. Agreed the valuation to the confirmation received from the investment manager; <li data-bbox="741 808 1803 843">4. Agreed the valuation to the confirmation received from the custodian; <li data-bbox="741 865 1803 972">5. Reviewed the reconciliation of information provided by the individual fund manager’s custodian and the Pension Scheme’s own records and seek explanations for variances; <li data-bbox="741 993 1844 1065">6. Tested a sample of the underlying investments to independent sources of pricing information; and <li data-bbox="741 1086 1803 1158">7. Obtained and review a service auditor’s report on internal controls for the custodian; <li data-bbox="741 1179 1803 1243">8. Reviewed management’s classification in the fair value hierarchy for a sample of level 2 investments. 	<p data-bbox="1837 439 2346 739">We have noted no material adjustments or findings in relation to level 2 investments. We are also satisfied that the judgements made by management are appropriate and have been determined using consistent methodology.</p> <p data-bbox="1837 815 2023 851">Conclusion</p> <p data-bbox="1837 869 2313 976">There are no matters to bring to your attention in relation to this risk.</p>

Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p>Actuarial present value of promised retirement benefits disclosure – IAS 26 (£4,990m)</p> <p>The disclosure of the Fund’s actuarial present value of promised retirement benefits is an accounting estimate and is sensitive to changes in key assumptions. As a result, it has been identified as a significant class of transactions.</p> <p>SCOT+</p> <p>Relevant assertion(s) Valuation, Presentation</p> <p>Applicable assertion(s) None</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"> 1. Updated our understanding of the processes put in place by management to ensure that the Fund’s Actuarial Present Value of Promised Retirement Benefits is not materially misstated; 2. Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary’s work; 3. Assessed the competence, capabilities and objectivity of the actuary who carried out the Fund’s valuation; 4. Reviewed the judgements made by management and confirmed that the application of the roll forward method in the intervening year within the triennial valuation cycle has remained appropriate, and ensured we have sufficient assurance from our cyclical triennial membership testing. 5. Assessed the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; 6. Tested the consistency of disclosures with the actuarial report from the actuary; 7. Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report. 	<p>As part of our technical review of the accounts, we noted that the presentation of this note should be updated, see page 43 for details. This is disclosure only and has no impact on the net reported position of the Pension Fund.</p> <p>We have noted no material adjustments or findings in relation to the actuarial present value of promised retirement benefits disclosure (IAS 26).</p> <p>We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.</p> <p>Conclusion</p> <p>Aside from the disclosure misstatement above, there are no matters to bring to your attention in relation to this risk.</p>

Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p>Cash and cash equivalents</p> <p>(Cash Deposits with Custodian £111m, Cash held by ESCC £2m)</p> <p>The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the Net Asset Statement.</p> <p>SCOT+</p> <p>Relevant assertion(s) Completeness, Existence, Accuracy</p> <p>Applicable assertion(s) Rights & Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"> 1. Obtained direct confirmations for all bank accounts 2. Obtained monthly bank reconciliations as at the year-end and for one month post year-end, and 3. We have not noted any material reconciling items, therefore no testing to confirm clearance through the bank account after the year-end was required. 	<p>We have noted one recommendation in relation to a HSBC account which is used for foreign payment for benefits payable. Although audit team have confirmed that all transaction and charges are appropriately accounted for in relation to the account, the balance does not sit on the Pension Fund balance sheet. The balance in there is highly trivial (£1k), but we recommend this balance should sit on the Balance Sheet for completeness.</p> <p>We have noted no material adjustments or findings in relation to the cash and cash equivalents balance.</p> <p>Conclusion</p> <p>Aside from the recommendation above, there are no matters to bring to your attention in relation to this risk.</p>

Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p>Benefits Payable (£177m)</p> <p>Pension benefits payable represents a significant percentage of the Fund's expenditure. As a result, it has been identified as a significant class of transactions.</p> <p>SCOT+</p> <p>Relevant assertion(s) Completeness, Accuracy, Occurrence</p> <p>Applicable assertion(s) Presentation</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"> 1. Evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; 2. Gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls; 3. Tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained. 4. Selected a sample of lump sums and associated individual pensions in payment by reference to member files, for which we are awaiting final query responses for. 	<p>We have noted no material adjustments or findings in relation to the benefits payable balance.</p> <p>A projected misstatement of £3.11m has been identified. This misstatement arises from the extrapolation of smaller variances noted during our Benefits Payable testing and relates to differences between sample amounts and the respective calculations performed by both management and the audit team. Further details are provided on page 41.</p> <p>Conclusion</p> <p>Aside from the misstatement above, there are no matters to bring to your attention in relation to this risk.</p>

Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p data-bbox="109 418 471 454">Contributions receivable</p> <p data-bbox="109 472 231 508">(£164m)</p> <p data-bbox="109 529 759 715">Contributions from employers and employees represents a significant percentage of the Fund's revenue. As a result, it has been identified as a significant class of transactions.</p> <div data-bbox="109 743 331 801" style="background-color: #4a4a8a; color: white; padding: 5px; text-align: center; margin: 10px 0;">SCOT+</div> <p data-bbox="109 853 407 889">Relevant assertion(s)</p> <p data-bbox="109 903 652 939">Completeness, Accuracy, Occurrence</p> <p data-bbox="109 953 435 989">Applicable assertion(s)</p> <p data-bbox="109 1003 295 1039">Presentation</p> <p data-bbox="109 1053 563 1089">Planned level of control reliance</p> <p data-bbox="109 1103 193 1139">None</p>	<p data-bbox="772 418 1358 454">As part of our audit procedures, we have:</p> <ol data-bbox="772 475 1778 939" style="list-style-type: none"> 1. Evaluated management's accounting policy for the recognition of contributions. 2. Evaluated the design and implementation of relevant controls around management's process for the contributions receivable balance. 3. Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence. 4. Tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained. 	<p data-bbox="1791 418 2333 532">We have noted no material adjustments or findings in relation to the contributions receivable balance.</p> <p data-bbox="1791 604 1972 639">Conclusion</p> <p data-bbox="1791 661 2333 732">There are no matters to bring to your attention in relation to this risk.</p>

Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p>Financial instrument disclosures</p> <p>Financial instrument disclosures provide crucial information to allow users to understand and evaluate:</p> <ul style="list-style-type: none"> • The entity’s financial position and performance; • The nature and extent of risks from financial instruments during, and at the close of, the reporting period; and • how the Fund manages these risks. 	<p>As part of our completed audit procedures, we have:</p> <ol style="list-style-type: none"> 1. Updated our understanding of the processes and controls put in place by management to prepare the financial instrument disclosures 2. Documented and evaluated the Fund’s accounting policies for appropriateness and consistency 3. Evaluated the instructions issued by management to their management expert/information provider for these disclosures 4. Tested the consistency of disclosures with the actuarial report from the actuary; 5. For all material financial instrument disclosures confirm they are disclosed in accordance with IFRS 7, measured in accordance with IFRS 9 and classified in accordance with CIPFA guidance on IFRS 9 Financial Instruments 	<p>As part of our technical review of the accounts one non-trivial adjustment has been noted in relation to the financial instrument disclosures.</p> <p>We have noted no material adjustments or findings in relation to the financial instrument disclosures.</p> <p>Conclusion</p> <p>There are no matters to bring to your attention in relation to this risk.</p>
<p>SCOT+</p> <p>Relevant assertion(s)</p> <p>Accuracy, Completeness, Valuation, Presentation</p> <p>Applicable assertion(s)</p> <p>None</p> <p>Planned level of control reliance</p> <p>None</p>		

Other findings

Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Summary of management's approach

Level 3 investments - £1,120m

The Pension Fund has Level 3 investments in the following:

- Pooled Investment Fund totalling £28m of the net assets statement at year-end.
- Pooled Property Investments which make up £314m of the net assets statement at year-end.
- Private Equity/Infrastructure giving £778m of the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. To determine the value, management rely on the valuations provided by the investment managers.

Audit comments

In response to management's approach, for a sample of Level 3 investments we have:

1. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison.
2. Ensured consistency of the investment management report with the financial statements
3. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls (where appropriate)
4. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts

continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)

5. Considered the completeness and accuracy of the underlying information used to determine the estimate
6. Considered the impact of any changes to valuation method from the prior period
7. Evaluated the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices (where appropriate)

Additionally, the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements.

We did identify an £8.183 million under-statement in respect of the valuation of level 3 investments because of timing differences between the production of the accounts and investment manager confirmations, which come through later. Further information can be found in Unadjusted Misstatements.

Assessment

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

Assessment Key

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

Other findings – key judgements and estimates (continued)

Summary of management's approach

Level 2 investments - £3,328m

The Pension Fund has Level 2 investments in Unquoted bonds, Forward foreign exchange derivatives, Overseas bond options and Pooled investments (Equity, Fixed Income and Diversified Growth Funds), which total £3,328m on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not actively traded on an open exchange; however, their valuation is based on observable market inputs, either directly or indirectly. To determine the value, management uses pricing and valuation information provided by the investment managers, supported by relevant market data.

Audit comments

While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.

In response to management's approach, for a selection of Level 2 investments we have:

1. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison.
2. Ensured consistency of the investment management report with the financial statements
3. Compared the valuation to quoted prices at year-end where available.
4. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls (where appropriate)

continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)

5. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts
6. Considered the completeness and accuracy of the underlying information used to determine the estimate
7. Considered the impact of any changes to valuation method from the prior period
8. Evaluated the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices (where appropriate)

No issues have been noted with the testing completed in this area.

Assessment

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

Assessment Key

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

Other findings – Information Technology

This section provides an overview of results from our assessment of the relevant Information Technology (IT) systems and controls operating over them which was performed as part of obtaining an understanding of the information systems relevant to financial reporting. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Altair	Detailed ITGC assessment (design effectiveness only)					Relates to all line items in relation to Member Data.
SAP	Detailed ITGC assessment (design effectiveness only)					Relates to management override of controls.

Assessment:

-  [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  [Black] Not in scope for assessment

Other findings – Information Technology (continued)

SAP – Assessment

The significant deficiencies identified in the Technology Acquisition, Development and Maintenance and Security Management control area related to segregation of duties. Some members of the SAP technical support team have access permissions which would allow them to both develop changes and then import those changes in the production environment, as there are only limited segregation of duties in the team structure. Accesses are regularly reviewed and generally temporary and out of necessity due to team size. Similar deficiencies were identified and reported to the committee in our 2022/23 and 2023/24 financial year audits.

For 2024/25 the overall ITGC rating remains at the same level (with an additional significant deficiency identified in the Security Management area), and while previously reported deficiencies have not been remediated our IT team noted that there was an improvement in management of this area with a lower volume of profiles having issues of concern overall, but still noting that there was a concern over permissions/”superuser” statuses being assigned without a clear end date. We understand however that the organisation was, at the end of the 2024/25 year, implementing the new Oracle system and transferring data/tables from previous systems to the new system, and as such there were clearer business reasons for certain users to have these permissions/system abilities during 2024/25. We have set out 3 significant deficiencies, and recommendations to address are on the next 2 pages.

We do not regard these deficiencies as representing a significant risk/deficiency directly for the accounts production/financial accounting control environment, as the officers do not manage accounting/finance data or the accounts production process, and there are separate controls and mitigations in the journals and accounts production process which would detect and prevent fraudulent journal postings and management override of control. This is a significant deficiency however in overall IT governance. We understand as the organisation was implementing the new system during the 2024/25 that further significant changes/developments in the SAP system were not considered to be the priority. As the Oracle system has now been implemented in place of SAP our IT audit team will revisit these findings in 2025/26 to fully understand how the IT control environment has been updated with respect to the new system/processes in place.

Significant deficiency findings within SAP– Information Technology

Recommendations

Significant deficiency	Recommendation
<p>1 Users identified with inappropriate access to ABAP debugger in production</p> <p>Some users had inappropriate access to the ABAP debugger in production and there was not a clear end date/temporary status for this level of access.</p> <p>We did not identify any issues/instances of inappropriate journal or transaction postings in our journals testing or overall audit, and we consider the control environment around accounts production and journals to be strong, but we recommend such permissions/accesses are more strictly controlled/monitored.</p>	<p>Management should ensure that the ABAP Debugger access is strictly controlled, as well as perform periodic access reviews and document and enforce a formal change management process for all production code corrections.</p> <p>Management response:</p> <p>The debug access has been removed, and access will be reviewed and actioned.</p> <p>Completion date for overall recommendation 31 March 2026.</p>
<p>2 Powerful Profile Assigned to Interactive-Enabled Accounts</p> <p>One Interactive-Enabled Account was identified with powerful profile rights granting unrestricted access to all SAP transactions and system functions.</p> <p>We did not identify any issues/instances of inappropriate journal or transaction postings in our journals testing or overall audit, and we consider the control environment around accounts production and journals to be strong, but we recommend such permissions/accesses are more strictly controlled/monitored.</p>	<p>Management should immediately revoke SAP_ALL access from dialog and service users unless formally justified, establish a formal emergency access procedure, implement periodic reviews of user access, enforce segregation of duties and maintain audit logs and monitor activities of users with elevated access.</p> <p>Management response:</p> <p>Access will be reviewed and actioned.</p> <p>Completion date for recommendation 31 March 2026.</p>

Significant deficiency findings within SAP– Information Technology

Recommendations

Significant deficiency	Recommendation
<p>3 Table Maintenance Access Assigned to Users in Production Environment</p> <p>35 users in the SAP production environment had unrestricted table maintenance access, increasing the risk of unauthorized or inappropriate changes to critical system tables.</p> <p>Management have explained that business function requires access to update tables in production.</p> <p>We did not identify any issues/instances of inappropriate journal or transaction postings in our journals testing or overall audit, and we consider the control environment around accounts production and journals to be strong, but we recommend such permissions/accesses are more strictly controlled/monitored.</p>	<p>Management should immediately revoke unrestricted table maintenance access from all users unless explicitly required, restrict table maintenance access aligned to users' job responsibilities, implement a formal access request and approval process, establish periodic reviews of user access and enforce segregation of duties.</p> <p>Management response:</p> <p>The roles that allow the users maintenance access to tables will be reviewed and actioned.</p> <p>Completion date for recommendation 31 March 2026.</p>

Communication requirements and other responsibilities

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period, and no other issues have been identified during the course of our audit procedures
2	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed, however our work in this area is yet to be finalised.
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations, and we have not identified any incidences from our audit work.
4	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Pension Fund. The letter is included within the Audit and Transparency Committee papers.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted, and the requests were sent.
6	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
7	Audit evidence and explanations	<ul style="list-style-type: none"> We have not identified any significant difficulties with obtaining evidence to support transactions and balances within the financial statements.

Other communication requirements (continued)

Going Concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Commentary

In performing our work on going concern, we will reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10.

continued overleaf

Other communication requirements (continued)

Going Concern

Commentary (continued)

The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the Pension Fund and the environment in which it operates
- the Pension Fund's financial reporting framework
- the Pension Fund's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	<p>The Pension Fund is administered by East Sussex County Council (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our ‘consistency’ opinion on the Pension Fund’s Annual Report in line with our opinion on the accounts.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p>

Audit adjustments

Adjusted & Unadjusted Misstatements

We are required to report all non-trivial misstatements to those charged with governance.

Impact of adjusted misstatements

From our audit work to date we have not identified any adjusted misstatements for year ending 31st March 2025.

Impact of unadjusted misstatements

From our audit work to date we have identified the following unadjusted misstatements for year ending 31st March 2025.

Detail	Pension Fund Account		Net Asset Statement £'000		Impact on total net assets £'000	Reason for not adjusting
	Debit £'000	Credit £'000	Debit £'000	Credit £'000		
Total net assets per final accounts					4,988,539	

Level 3 Misstatement – Key Value

Within the Level 3 investment testing, £927,434k of Key Items have been selected for testing, within that there was a net difference of £8,183k, leading to an understatement of Level 3 Investments in the accounts.

This is due to the timing differences between the production of the accounts and the receipt of the finalised investment managers statements for 31/03/2025. The finalised statements are not available until after the accounts have been produced and are therefore unable to be factored in.

Nil	(8,183)	8,183	Nil	8,183	Immaterial difference, due to timing.
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Adjusted & Unadjusted Misstatements

Detail	Pension Fund Account		Net Asset Statement £'000			Reason for not adjusting
	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000	
Benefits Payable During our benefits payable testing, one sample failed because the amount tested did not fully reconcile with the amount used in the benefit payable calculations. The difference between the two amounts was treated as an error. Additionally, several small differences (each below 10% of the sample amounts) were identified, which did not require further investigation individually. The total of these differences was combined with the failed amount, and the aggregate error was extrapolated across the entire benefits payable population. This resulted in a projected understatement of £3,111,107.	3,111	Nil	Nil	(3,111)	(3,111)	Difference has been projected and immaterial.
Total net assets – recalculated to include unadjusted misstatements					4,993,611	

Impact of Prior Year Unadjusted Misstatements

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

Detail	Pension Fund Account		Impact on total net assets £'000	Reason for not adjusting
	Debit £'000	Credit £'000		
Level 3 Misstatement – Key Value				
In 23/24 as part of the Level 3 investment testing as part of the £731,825k Key Items selected for testing there was a net difference of £7,649k, due to timing, between balances in the accounts and those confirmed by Investment Managers Leading to an immaterial but reportable understatement in the PY Financial Statements.	Gain/Loss on valuation of investments	Nil	Nil impact on net asset statement as at 31 March 2025	Immaterial impact on Statement of Accounts
In year we note that this has no impact on the total net assets as valued at 31 st March 2025, however, it will lead to an equivalent overstatement of the Gain/Loss on Valuation as the PY impact of this is included in the CY movement.	7,649			
Level 3 Misstatement – Extrapolation				
In 23/24 as part of the Level 3 investment testing within the residual population of £413,288k selected for sampling there was an extrapolated net difference of £5,604k, due to timing, between balances in the accounts and those confirmed by Investment Managers. This led to an immaterial, but reportable understatement in the PY Financial Statements.	Gain/Loss on valuation of investment	Nil	Nil impact on net asset statement as at 31 March 2025	Immaterial impact on Statement of Accounts and the misstatement was extrapolated
In year we note that this has no impact on the total net assets as valued at 31 st March 2025, however, it will lead to an equivalent overstatement of the Gain/Loss on Valuation as the PY impact of this is included in the CY movement.	5,604			
Total Impact:	13,253	Nil	Nil	Immaterial Impact

Disclosure misstatements

This is a summary of disclosure misstatements identified for the misstatements for year ending 31st March 2025. These have been adjusted for as part of the audit process.

Disclosure misstatement	Detail	Auditor recommendations
Actuarial Disclosure (Note 20)	As per code 6.5.2.9, within Note 3.12 and the narration under the net asset statement Option B of disclosing the actuarial present value of promised retirements benefits in the notes to the accounts has been used. However, within note 20 it has been disclosed as per Option C.	The initial disclosure of this note was not in line with the CIPFA code and therefore it has been recommended that this note should be updated to ensure Option B has been presented consistently across the accounts. Management response The Fund accepts that the disclosure in Note 20 was not clear and that the change provides greater clarity to the users of the accounts.
Financial Instruments (Note 17)	The debtors balance disclosed in Note 17 - financial instruments includes "Contributions receivable" of £13,394k (PY: £13,068kk). Also, the creditors balance disclosed in note 15 includes benefits payable (Pension Payments) of £744k (PY: £549k). These areas are not contracted and therefore should not have been included as a financial instrument.	As this is a non-trivial balance within the accounts, the audit team have recommended this note should be updated. Management response The is s technical accounting definition and the Fund had been reporting this in line with other LGPS Pension Funds, we recognise that the technical definition requires the removal of this item from the Note 17 disclosure and have removed this.
Audit Fees (Note 13b)	There is an error identified, which the Fund had incorrectly included the additional £7,840 in relation to the audit which had already been included within the GT Scale Fee, which had already been recognised appropriately as of £101,515. The initial disclosure also omitted balances relating to the Audit related non-audit services for NAO IAS19 assurance letters outside the scope of the PSAA Contract.	As per GT's independence within the Audit it is crucial that the Audit Fees disclosed in the accounts are in line with our AFR, therefore it has been recommended that this note should be updated in the final version of accounts. Management response There was a change in the way this particular fee item was charged between 23/24 and 24/25 which was not identified during the year end process when this was identified it was agreed that we would amend this item.

Disclosure misstatements

Disclosure misstatement	Detail	Auditor recommendations
Total Pooled Property Investments (Note 5)	During the completion of our audit procedures, we identified an inconsistency between the amounts disclosed for Pooled Property Investments in Note 5 (£308.5 million) and Note 14 (£314 million).	Based on our procedures, we determined that the balance disclosed in Note 14 is accurate and therefore note 5 should be updated accordingly. Management response The amount has been corrected to £314m.
Other price risk (Note 18) & Climate risk (Note 5)	As per work completed on the “Other price risk – sensitivity analysis” disclosure, there is a discrepancy between the reported numbers in the accounts and the values disclosure in the report provided by the fund’s actuary for the Pooled Property, Private Equity and Infrastructure line items. The impact of these percentages also fed through to Note 5- Climate risk where upon updating the percentages the £714m sensitivity figure reduces to £672m.	As the percentage differences would lead to non-trivial differences within the accounts, the audit team have recommended this note should be updated. Management response The Fund agrees with AFR, and this has been amended in the account to £672m.
Currency Risk (Note 18)	As per our review of the accounts, it was noted that the currency risk tables disclose the risks by asset type and not by currency. Although we are satisfied that the disclosure is materially correct from both a quantitative and qualitative perspective, in order to be fully compliant with IFRS 7 paragraph B24, it should be disclosed on a currency-by-currency basis.	Audit team recommend that the disclosure should be updated to ensure full compliance with in order to be fully compliant with IFRS 7 paragraph B24. Management response Since this note is correct for this year’s audit, we are not ready to change it right no. We will discuss the matter and think of changing it in the neat year's accounts. Although this may make the note more complicated.
Currency Risk (Note 18)	Within the Currency Risk tables, 9.8% was incorrectly used to calculate the volatility of the balance where 10% should have been used as per the narrative of the disclosure.	As the percentage differences would lead to non-trivial differences within the accounts, the audit team have recommended this note should be updated. Management response Agree to AFR changed to 10%.

Disclosure misstatements

Disclosure misstatement	Detail	Auditor recommendations
Initial addition Assumptions (Note 19)	The disclosure for key assumptions used in the 2022 valuation states that 0.5% p.a. has been applied as the assumption for initial additions to improvements for both males and females. Upon review, this is inconsistent with the Triennial Valuation, which reports the assumption as 0% p.a.	As this percentage should reconcile directly to the actuary's Triennial Valuation, the audit team have recommended this note should be updated. Management response Fund agrees with AFR and this has been changed.
Outstanding capital commitments (Note 26)	Incorrect balances were used in the workings for Capital Commitments, resulting in inaccurate amounts being reflected in the accounts. The total capital commitments disclosed was £163.4 million instead of the correct amount of £168.3 million. The misstatement is broken down as follows: <ul style="list-style-type: none"> • Private Equity: £103.0m disclosed instead of £98.m • Infrastructure: £25.2m disclosed instead of £28.9m • Private Debt: £35.3m disclosed instead of £40.6m 	As this is a non-trivial balance within the accounts, the audit team have recommended this note should be updated. Management response Fund agreed to AFR and this has been changed.
Exit Payments (Note 26)	Within the Contingent liabilities and contractual commitments Note there were 3 scheme employers disclosed as withdrawing, however as per the testing it was confirmed one of these did not terminate, therefore, there were only 2 Exit Payments.	It was recommended by the audit team that this disclosure should be updated in line with the true position at the year end. Management response Fund agreed to AFR and this has been changed.

Disclosure misstatements

Disclosure misstatement	Detail	Auditor recommendations
Critical judgements in applying accounting policies (Note 4)	During the detailed review of the financial statements audit team have noted that as per IAS 1.122 this disclosure surrounding pension liability is not code compliant. This is due to the standard explicitly stating that judgements which involve estimate, should not be included. Audit team understand why the Pension Fund may want to still include this disclosure as it adds context to the users of the financial statements and believe that its inclusion is not materially misleading to the users of the accounts.	<p>Audit team recommend that the disclosure should be considered to be removed to ensure full compliance with IAS 1.122, however we are satisfied that the current presentation is not materially misleading to the users of the financial statement.</p> <p>Management response</p> <p>As discussed with auditor. The Fund will keep this note for this year's accounts as its not materially misleading and we believe it provides useful information, but we will look to remove this next year's accounts.</p>
Contingent Assets (Note 27)	During the detailed review of the financial statements audit team have noted that as per IAS 37 (par 2), this standard is not applicable to financial instruments (including guarantees). This disclosure should therefore be removed, and the policy should be treated as a financial instrument.	<p>Audit team recommend that this disclosure should be removed in line with IAS37 (paragraph 2), however we are satisfied that the current presentation is not materially misleading to the users of the financial statement.</p> <p>Management response</p> <p>The Fund will look to remove this next year in our accounts.</p>
Investment Performance (Note 30)	During the course of the audit improved information has been made available in relation to Investment Performance therefore the Pension Fund has updated their accounts based upon this improved information.	<p>Audit team are satisfied that it is appropriate to update the accounts for this additional information available.</p> <p>Management response</p> <p>The information for this note was only made available in Dec 25.</p>
Minor Disclosure Amendments	Detailed review of the financial statements during the audit identified some disclosure errors which have been updated within the final accounts, these included incorporating additional tables for further disclosure, additional accounting policies and changes to some narrative, as well as the updated on typographical errors.	<p>These have been taken to management for their decisions as to if they would like to update these throughout.</p> <p>Management response</p> <p>The Fund will amend trivial typographical errors when identified to ensure that the accounts are as clear as possible for the user.</p>

Action plan

To date we have not identified 1 recommendation for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2025/26. Any matters to be reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	● [Green]	HSBC bank account for which international holds trivial amount of 1k is not recorded in the GL. Although this amount is highly trivial, as it is not being recorded within the GL, if it grew to that of a non-trivial nature it would be missed.	<p>Audit team recommends that an account code is set up on the balance sheet for this account, so ensure that any assets or liabilities in relation to it are captured within the General Ledger.</p> <p>Management response</p> <p>The Fund has not in the past needed to hold a trivial balance within the HSBC bank account as it is required to facilitate foreign pension payments HSBC have started charging fees on the account, so a small balance is placed here to ensure that the fees are covered. We accept that this now changes the nature of this account and will look to include this on the balance sheet.</p>

Assessment key:

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

Follow up of prior year recommendations

There were no recommendations for the Pension Fund to follow up in year in relation to 23/24, as there were no issues identified during the prior year audit,

Independence considerations

Independence considerations

- Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers [and network firms]). In this context, we confirm there are no independence matters that we would like to report to you.
- We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund or investments in the Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund's committees, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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

Fees and non-audit services

The following tables overleaf set out the total fees for non-audit services that we have been engaged to provide or charged from the beginning of the financial year to January 2026, to ensure inclusion of the expected fees in relation to known IAS 19 Assurance letters required for Admitted Bodies outside of the NAO Code of Audit Practice for the 24/25 FY. It also includes the threats to our independence and safeguards have been applied to mitigate these threats.

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

None of the services were provided on a contingent fee basis

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to East Sussex Pension Fund. The table overleaf summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that the level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee.

Our firm also provides audit and non-audit services to the Administering Authority. The fees in relation to these services and the related ethical considerations are reported in the Audit Findings Report issued to 'Those Charged With Governance' (TCWG) for that entity. Consequently, such fees are disclosed in the Council's financial statements rather than the Pension Fund's.

Fees and non-audit services

Audit fees	Proposed fee for 2024/25 (£)	Audit Fee for 2023/24 (£)
Audit of Pension Fund (Scale Fee)	101,515	90,337
ISA 315	Included in scale fee	7,530
Audit related non-audit services (see aside)	5,000	0
Total	106,515	97,867

The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

- Updated fees as per financial statements: **127,515**
 - £17k: Non-accrued additional approved PSAA fee payable in respect of external audit for 2021/22
 - £4k: Non-accrued additional additional approved PSAA payable in respect of external audit for 2022/23
- Total fees per above: **106,515**

Audit related non-audit services	£	Threats identified	Safeguards applied
23/24 FY - IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice	2,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee for this work is £2,500 per year and £5,000 in total, in comparison to the total proposed fee for the audit of £101,515 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
24/25 FY - IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice	2,500	Self-Interest (because this is a recurring fee)	
Total	5,000		

This covers all services provided by us and our network to the Fund, its directors and senior management, that may reasonably be thought to bear on our integrity, objectivity or independence.

Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.



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