Deloitte.

London Borough of Hillingdon

Report to the Pension Committee and Audit Committee on the year ended 31 March 2013 Local Government Pension Fund Audit

Final Report

2013

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Executive summary

We have pleasure in setting out in this document our report to the Pension and Audit Committees of the London Borough of Hillingdon for the year ended 31 March 2013 for discussion at the committee meetings scheduled for 24 September 2013 and 26 September 2013 respectively. This report summarises the principal matters that have arisen from our audit for the year ended 31 March 2013.

This summary is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention. It should, therefore, be read in conjunction with the report and the appendices thereto.

<table>
<tr><th>Status</th><th>Description</th><th>Detail</th></tr>
<tr><td colspan="3">Key findings on audit risks and other matters</td></tr>
<tr><td>We have concluded satisfactorily on each of the key audit risks identified in our audit plan. We did not identify any additional risks in the course of our work.</td><td>We discuss within Section 1 the results of our work in relation to key audit risks which have been identified as being significant to the 2012/13 accounts, and which were presented to the Audit Committee in February 2013 as follows:
Key risks
1. Contributions: The risk surrounding identification, calculation and payment of contributions, due to the complexities surrounding admitted bodies, has been addressed through our testing. No issues were noted with the exception of an incorrect classification of the contributions between employer deficit and employer normal contributions. As such an adjustment was posted increasing deficit contributions and decreasing normal contributions by £1.5 million;
2. Benefits: Complexities in the calculation of both benefits in retirement and ill health and death benefits have been reviewed during our testing with no issues identified;
3. Financial instruments: The unquoted investments have been agreed to independent returns from the investment managers. It was identified that the valuation provided by Northern Trust was as at December 2012 for Adams Street Partners due to the lack of available information to the Hillingdon team. On receipt of updated valuations in July an uncorrected adjustment of £404,000 was identified to increase the value of investments.
We continued to identify that some of the private equity funds' audited financial statements included an emphasis of matter paragraph indicating the uncertainties over valuation of equities in illiquid markets. We have held discussions with the managers of these funds to ensure that the valuation techniques represent the most accurate fair value of the equities.
In October 2012 the scheme transferred the assets from Marathon to SSgA totalling £60.6m. Subsequently in January 2013 these assets were transferred from SSgA to Kempen and Newton, including a gain of £5.1m whilst the assets were in transition from Marathon to Newton and Kempen. We audited the two transfers between Marathon and SSgA and from SSgA to Kempen and Newton with no issues noted.
4. Management Override of Controls: all testing was completed with satisfactory results.</td><td>Section 1</td></tr>
</table>

Executive summary (continued)

Status	Description	Detail
Audit status		
Subject to the clearance of final points, we expect to issue an unmodified audit opinion on the financial statements.	We are satisfied that the status of the audit is as expected at this stage of the timetable agreed in our audit plan. We have substantially completed our audit in accordance with our Audit Plan which was presented to you prior to the commencement of the audit subject to the satisfactory completion of the matters set out below: • receipt of signed management representation letter (see appendix 1); and • update of post balance sheet event review. We will report to you verbally in respect of any modifications to the findings or opinions contained in this report that arise on completion of these matters. At the date of this report and subject to the satisfactory completion of the outstanding matters referred to above, there are no matters in relation to the Local Government Pension Fund information that would result in the issuance of a modified audit opinion.	
Identified misstatements		
Uncorrected misstatements are detailed in Appendix 2	Audit materiality was set at £7.5m (2011/12: £7.5m), which is consistent with that of the local government audit. The basis on which this is calculated is set out in our report to the audit committee. This is slightly higher than set out in the planning meeting report, which was based on a preliminary materiality for the Authority before the year end results were available, however we continue to report all unadjusted misstatements greater than £380,000 (2% of materiality) to the Audit and Pension Committees. There is one identified uncorrected misstatement above this level that we wish to bring to your attention in Appendix 2.	Appendix 2
Accounting and internal control systems		
Calculation of deficit funding	We have one area for improvement surrounding the calculation of deficit contributions resulting from the adjustment noted. We have previously identified one area for improvement in relation to the internal control system. This improvement related to the review of the underlying private equity funds. We note that improvements have been made in this area. Further detail on the area for improvement in the internal control system is included in Section 3 of the report.	Section 3

1. Key audit risks

The results of our audit work on key audit risks are set out below:

Contributions	
Audit risk	Unlike the positions in the private sector, we are not required to issue a separate statement on contributions for the Fund. Nevertheless, in view of the complexity arising from the participation of different employers within the Fund, we have included the identification, calculation and payment of contributions as an area of significant risk.
Deloitte response	We have performed the following testing to address the significant risks around contributions: • reviewed the design and implementation of controls present at the Fund for ensuring contributions from all Scheduled and Admitted bodies are identified and calculated correctly; • we have received from officers an analysis of contribution rates by employer and signed monthly statements from each Scheduled and Admitted body; • we performed tests of detail to test whether each material income stream was calculated in accordance with the actuarial valuation and schedule of rates; and • we developed an expectation based on changes in membership numbers and changes in contribution rates to analytically review the contributions received in the year, the results of which fell within our tolerance level. It was noted that an incorrect allocation of the contributions was being disclosed in the fund account. As such £1.5 million has been posted as an adjustment to re-allocate to deficit funding from employer normal contributions. All other testing was completed with satisfactory results.

1. Key audit risks (continued)

Benefits	
Audit risk	The changes that were made to the Fund from April 2008 which introduced complexities into the calculation of both benefits in retirement and ill health and death benefits continue to require careful consideration. The changes are in addition to the annual increases required by the 1997 Regulation and Pensions (Increase) Act 1971.
Deloitte response	The following tests were performed to address the significant risk around benefits: • we reviewed the design and implementation of controls present at the Fund for ensuring the accuracy, completeness and validity of benefits through discussion with the pensions team and testing to controls were in force during the year under review; • we obtained a schedule of benefits paid and supporting calculations and tested whether benefits paid were in accordance with the appropriate rules; • we performed tests of detail on a sample of benefits paid, by agreement to supporting documentation, to test whether benefits were in all material respects correctly calculated, by reference to their qualifying service, Fund rules and benefit choices made; and • we developed an expectation based on changes in membership numbers and pension increases to analytically review the benefits paid in the year. All testing was completed with satisfactory results.

1. Key audit risks (continued)

Financial instruments	
Audit risk	The Fund makes some use of investments in unquoted investments vehicles, such as private equity houses. As at 31 March 2013 the scheme had £39.6m (2012: £37.1m) in these holdings. Although these funds are normally subject to third party external audit, up to date audited accounts were not available at the time that the pension fund accounts were compiled and audited. In such cases, year end fair values of investments in such funds will need to be estimated on the basis of unaudited information. In addition, market volatilty raises questions about how to value these investments. It would normally be expected that the reasonableness of the fund managers' valuation could be assessed by comparison with the funds' latest available audited accounts as adjusted for subsequent cash movements (investments and distributions) between the pooled investment vehicle and the investors. However, market volatility means such comparison may be inappropriate especially when there is a significant time period between the latest audited accounts and the fund year end. As these investments are more complex to value we have identified the Fund's investments private equity funds as a significant risk. In October 2012 the scheme transferred the assets from Marathon to SSgA totalling £60.6m. Subsequently in January 2013 these assets were transferred from SSgA to Kempen and Newton, including a gain of £5.1m whilst the assets were in transition. In addition derivative financial instruments were identified as a risk due to the complexities in the valuations, however the scheme has only £81,000 investment liability relating to these products in the current year.
Deloitte response	The following tests were performed to address the significant risk around investments: • we have reviewed the design and implementation of controls present at the Fund for ensuring investments are valued correctly; • we reviewed the internal control reports to gain an understanding of the control environment at the investment managers and reviewed management's consideration of these reports. • we have obtained a further understanding of the valuation of investments. The value of unquoted private equity vehicles represents less than 6% (2012: 6%) of the assets of the Fund as a whole, totalling £39.6m (2012: £37.1m). The majority of the investments held by the Fund are in investments which have a quoted value £564.5m (2012: £512.7m) or are derived from quoted values £75.4m (2012: £61.7m); • we have reconciled the total value of the investments held by the Fund as reported in the investment report from Northern Trust to the value of investments reported in the Net Assets Statement; • we have compared the valuations provided by Northern Trust to the reports provided by the investment manager; • we have performed a test of detail on a sample basis of quoted investment and compared the value reported by the Northern Trust to the quoted price obtained from Bloomberg, DataStream or other third party sources; • we have audited the transition of assets between Marathon and SSgA (totalling £60.6m) and subsequently from SSgA to Kempen and Newton (£44.3m to Kempen and £21.4m to Newton) via agreement to investment manager confirmations and the transition reports; and • we have performed a test of detail on a sample basis of the unquoted pooled investments to the valuations received from the external investment managers.

1. Key audit risks (continued)

Financial instruments (continued)	
Deloitte response (continued)	We identified that the valuations used by Northern Trust for Adams Street Partners are based on the quarterly reporting from Adams Street Partners. The valuation is then maintained until the next report is available. Thus the valuation shown as at 31 March 2013 relates to the December valuations. The valuations as at March are not provided until July by Adams Street which is subsequent to the preparation of the accounts. We received confirmations of these valuations as part of our audit procedures and identified an increase in the value of these investments of £404,000. This adjustment remains as uncorrected and is included in Appendix 2. In addition it was noted that the audited accounts for the LGT funds again contained modified opinions. The scheme has £18.2m (2012: £17.0m) in these funds. The financial statements of the funds included an emphasis of matter paragraph over the valuation of the illiquid investments. We held discussions with the fund manager to satisfy ourselves that the values of the investments are unlikely to contain a material error. Our discussions included gaining a further understanding of the valuation process used and comparing this to the industry standard. In line with the prior year an additional disclosure has been included in the financial statements to give the users of the accounts better information on the risks surrounding this type of investment. Note 16 contains the following wording: *"The Investment Sub Committee have undertaken a review of the audited financial statements for the private equity funds on behalf of the London Borough of Hillingdon Pension Fund by Adam Street Partners and LGTand considered their valuation processes adopted for illiquid markets. The ISC are assured that the valuation process is rigorous and result in valuations that, within materiality, represents fair value at the reporting date."* We note that steps have been made for the committee to annually review the funds' audited accounts to satisfy themselves that the valuations provided are sufficiently accurate following our recommendations in the prior year, see section 2. We also note that, whilst not an adjustment, there are pricing differences totalling £768,000 between the custodian and the investment managers. This is due to the different pricing streams available to investment managers and custodians. The total represents 0.1% of the fund which is not considered significant. Other than the above no issues were identified during our audit procedures.

1. Key audit risks (continued)

Management override of controls	
Audit risk	We are required by ISA 240 'The auditors responsibility to consider fraud in an audit of the financial statements' to presume there is a significant risk of management override of the system of internal control
Deloitte response	Our audit work included: • we have reviewed analysis and supporting documentation for journal entries, key estimates and judgements; • we have performed substantive testing on journal entries to confirm that they have a genuine, supportable rationale; • we have reviewed ledgers for unusual items and on a test basis investigated the rationale of any such postings; • we have reviewed significant management estimates and judgements such as year end accruals and provisions and consider whether they are reasonable; and • we have made enquiries of those charged with governance as part of our planning and detailed audit processes. We have noted no issues during the completion of the above procedures.

2. Other issues

Administration migration	
Migration of administration to Capita Hartshead	The scheme made a decision to outsource its administration from 1 April 2012. The administration is now completed by Capita Hartshead. There are a number of considerations to monitor during the change over of administration. These include: • Monitoring of the data migration between systems. • Adjustment to processes to incorporate. • Ongoing service level monitoring. The pensions team implemented the monitoring of these areas during the transition and subsequently. The data migration between the historic Heywood system and Capita system was completed through the download of data by Heywood into a set format and this was then provided to Capita. The data was checked for completeness through a reconciliation of record numbers in each system and through the comparison to the final back up data. The relevant processes involving administration were updated to incorporate the use of Capita as set out in the service level agreement. The service levels provided by Capita are monitored on an ongoing basis.
Deloitte response	We have held discussions with management surrounding the monitoring of the transfer of administration to Capita. The process was considered to be appropriate and we have reviewed the final data reconciliations on completion of the transfer with no issues noted.

3. Accounting and internal control systems

Control observation

The following observation was noted in the current period:

Accuracy of deficit contributions allocation	
Observation	It was noted during testing that the calculation of deficit funding contributions was being completed using a historic split rather than the split provided by the latest actuarial valuations. Whilst there is no issue with the total amount being paid, an adjustment was noted to re-allocate £1.5m of contributions between normal and deficit.
Recommendation	We recommend a process be implemented that confirms the appropriate allocation with the latest actuary valuation when the deficit contributions are being calculated.
Management response	On receipt of the 2013 triennial valuation results, a process will be set up which will ensure the appropriate allocation of deficit contributions is included in the working papers for future years accounts.
Owner	Nancy le Roux

Prior period control observation

The following was noted in the prior period for which we detail an update below:

Review of private equity funds financial statements	
Observation	Whilst an annual review process has been implemented to review the annual statements received from the private equity firms, there remains no procedure in place to complete a detailed review of the underlying private equity funds annual audited financial statements. It was again noted that the audit opinion on some of the funds was modified to include an emphasis of matter paragraph raising attention to the possibility the valuation may differ from that shown due to the illiquid market for these securities. This could lead to incorrect valuation of these funds in the pension scheme financial statements.
Recommendation	We recommend that a process is implemented to review annually the audited financial statements for all private equity funds. The committee should consider any issues identified by the auditors and the impact on the scheme should be assessed and disclosure included in the accounts to explain any uncertainties identified.
2013 update	An agenda item has been added to the investment subcommittee meeting in June to review the valuation basis for these funds and confirm this basis is considered appropriate.
Conclusion	The implementation of this review is considered to be satisfactory.

4. Current accounting and regulatory issues

Upcoming financial reporting developments

For reference, the following developments in the pension industry may impact the governance arrangements and financial statements of the London Borough of Hillingdon. Whilst we appreciate that Local Government Pension Fund are not regulated by the Pensions Regulator we consider their guidance to be indicative of what is currently considered to be best practice in the pensions sector. In addition, whilst the Fund is not a company some information surrounding governance best practice may be of interest.

Pensions Act 2013	
	The Pension Act 2013 has received Royal Assent in parliament and hence will come in to force from 2015. The key changes of the bill are: • reform the state pension system through the introduction of a single-tier state pension; • manage future changes to the State Pension age including bringing forward the increase in State Pension age to 67; • reform the range of benefits associated with bereavement; • boost the consolidation of small pension pots; • introduce a new statutory objective for the Pensions Regulator; and • strengthen existing legislation relating to occupational pensions. It is anticipated that LGPS will begin to be regulated by the Pension Regulator as part of this bill from 2015. This will mean that the schemes will need to consider the guidance put in place by the regulator and comply with the best practice advice from 2015. Further information can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/197840/pensions-bill-ia-summary.pdf

4. Current accounting and regulatory issues (continued)

The new LGPS 2014 project

On 22 December 2011, an agreement reached by the Local Government Association (LGA) and local government unions on how to take forward the future reform of the Local Government Pension Scheme (LGPS) in England and Wales was accepted by the Government. The agreement consists of:

- A set of principles covering:
  - The design of a new LGPS.
  - The future management and cost of the scheme.
  - Governance of the LGPS.
- A timetable for implementing the new scheme by April 2014.
- A project outline for managing the process of agreeing, by April 2012, the 'big ticket' elements of the new scheme.

During April 2012, following the acceptance by Government of a principles document submitted by the Local Government Association, UNISON and GMB on how to take forward the reform of the Local Government Pension Scheme (LGPS) in England and Wales.

The project is continuing with the largest change being the introduction of the Career Average Revalued Earnings Scheme being introduced from 1 April 2014.

Other changes include:

- Accrual rate changed to 1/49th.
- Retirement age will be consistent with state retirement age.
- Average contribution of 6.5% based on actual pay.
- 50/50 option for members not wishing to contribute to full benefits.

Further information is available at:
http://www.lgps.org.uk/lge/core/page.do?pageId=15431012

5. Other matters for communication

As part of our obligations under International Standards on Auditing (UK & Ireland), we are required to report to you on the matters listed below.

Independence	We consider that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and the objectivity of the audit engagement partner and audit staff is not compromised. If the Audit or Pension Committee wishes to discuss matters relating to our independence, we would be happy to arrange this.
Non-audit services	We are not aware of any inconsistencies between APB Revised Ethical Standards for Auditors and the Administering Authority's policy for the supply of non audit services or of any apparent breach of that policy. Fees payable to the auditor for the audit of the annual accounts of the London Borough of Hillingdon (excluding VAT) have been provided to the audit committee in the report covering the local authority. Our fee is consistent with the scale fee determined by the Audit Commission.
International Standards on Auditing (UK and Ireland)	We consider that there are no additional matters in respect of those items highlighted in our publication "Briefing on audit matters" to bring to your attention that have not been raised elsewhere in this report or our audit plan.
Liaison with internal audit	No internal audit reports were completed in the year. No adjustments were made to the audit approach as a result of this.
Written representations	A copy of the representation letter to be signed on behalf of the Authority is attached at Appendix 1.
Relationships	There are no relationships (including the provision of non-audit services) we have with the London Borough of Hillingdon, its trustees and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence, together with the related safeguards that are in place.

6. Responsibility statement

The Audit Commission published a ‘Statement of responsibilities of auditors and of audited bodies’ alongside the Code of Audit Practice. The purpose of this statement is to assist auditors and audited bodies by summarising where, in the context of the usual conduct of the audit, the different responsibilities of auditors and of the audited body begin and end, and what is expected of the audited body in certain areas. The statement also highlights the limits on what the auditor can reasonably be expected to do.

Our audit plan has been prepared on the basis of, and our audit work carried out in accordance with the Code and the Statement of Responsibilities, copies of which have been provided to the Council by the Audit Commission.

The audit may include the performance of national studies developed by the Audit Commission, where the auditors are required to follow the methodologies and use the comparative data provided by the Audit Commission. Responsibilities for the adequacy and appropriateness of these methodologies and the data rest with the Audit Commission. The audit may also include reviews such as this report which address locally determined risks and issues the scope of which is agreed with management in advance of the work. In this case it is for management to determine whether the scope is adequate and appropriate to their needs.

While our reports may include suggestions for improving accounting procedures, internal controls and other aspects of your business arising out of our audit, we emphasise that our consideration of the Pension Fund’s system of internal control was conducted solely for the purpose of our audit having regard to our responsibilities under Auditing Standards and the Code of Audit Practice. We make these suggestions in the context of our audit but they do not in any way modify our audit opinion which relates to the financial statements as a whole. Equally, we would need to perform a more extensive study if you wanted us to make a comprehensive review for weaknesses in existing systems and present detailed recommendations to improve them.

Any conclusion, opinion or comments expressed herein are provided within the context of our opinion on the financial statements and our conclusion on value for money as a whole, which was expressed in our auditor’s report.

We view this report as part of our service to you for corporate governance purposes and it is to you alone that we owe a responsibility for its contents. We accept no duty, responsibility or liability to any other person as the report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Deloitte LLP.

Deloitte LLP

Chartered Accountants
St Albans
5 September 2013

Appendix 1: Draft representation letter

Deloitte LLP

Our Ref: ***MGB/HB/2013*** ***Date:***

Dear Sirs

London Borough of Hillingdon Pension Fund (the "Fund")

This representation letter is provided in connection with your audit of the financial statements of the Fund for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Fund, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, the financial transactions of the Pension Fund during the year ended 31 March 2013, and the amount and disposition of the Fund's asset and liabilities as at 31 March 2013, other than liabilities to pay pensions and other benefits after the end of the Fund year.

We acknowledge as members of London Borough of Hillingdon Council our responsibilities for ensuring that the financial statements are prepared which give a true and fair view, for keeping records in respect of active members of the Fund and for making accurate representations to you.

We confirm, to the best of our knowledge and belief, the following representations.

1. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of Officer and Committee member meetings, have been made available to you.

2. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.

3. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.

4. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

5. We are not aware of any significant facts relating to any frauds or suspected frauds affecting the Fund involving:
   (i). management;
   (ii). employees who have significant roles in internal control; or
   (iii). others where the fraud could have a material effect on the financial statements.

6. We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by members, former members, employers, regulators or others.

7. We are not aware of any actual or possible instances of non-compliance with laws and regulations, the effects of which should be considered when preparing financial statements.

8. Where required, the value at which assets and liabilities are recorded in the net asset statement is, in the opinion of the Authority, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Fund. Any significant changes in those values since the balance sheet date have been disclosed to you.

9. We confirm the completeness of the information provided regarding the identification of related parties, and the adequacy of related party disclosures in the financial statements.
   We have made enquiries of any key managers or other individuals who are in a position to influence, or who are accountable for the stewardship of the Fund and confirm that we have disclosed in the financial statements all transactions relevant to the Fund and we are not aware of any other such matters required to be disclosed in the financial statements, whether under Statement of Recommended Practice – Financial Reports of Pension Funds (revised May 2007) ("Pensions SORP 2007") or other requirements.

10. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to wind up the Fund. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Fund's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

11. You have been informed of all changes to the Fund rules during the year and up to the current date.

12. We have not commissioned advisory reports which may affect the conduct of your work in relation to the Fund's financial statements.

13. No claims in connection with litigation have been or are expected to be received.

14. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

15. There have been no events subsequent to 31 March 2013 which require adjustment of or disclosure in the financial statements or notes thereto.

16. There have been no irregularities involving management or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.

17. The pension Fund accounts and related notes are free from material misstatements, including omissions.

18. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

19. The Fund has satisfactory title to all assets.

20. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

21. No transactions have been made which are not in the interests of the members of the Fund during the Fund year or subsequently.

22. We confirm that:

    - all retirement benefits and Funds, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;

- all settlements and curtailments have been identified and properly accounted for;
- all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
- the actuarial assumptions underlying the valuation of the Fund liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
- the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
- the amounts included in the financial statements derived from the work of the actuary are appropriate.

23. All trades in complex financial instruments are in accordance with our risk management policies, have been conducted on an arm's length basis and have been appropriately recorded in the accounting records, including consideration of whether the complex financial instruments are held for hedging, asset/liability management or investment purposes. None of the terms of the trades have been amended by any side agreement and no documentation relating to complex financial instruments (including any embedded derivatives and written options) and other financial instruments has been withheld.

24. We confirm that the Pension Fund Annual Report is compliant with the requirements of Regulations 34(1)(e) of the Local Government Pension Fund (Administration) Regulations 2008 and related guidance.

25. We confirm that the information that is contained within the Pension Fund Annual Report and Accounts for the year to 31 March 2013 is complete, accurate and consistent with the information that is contained within the Accounts.

We confirm that the above representations are made on the basis of adequate enquiries of other officials of the Fund (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of London Borough of Hillingdon

Appendix 2: Audit adjustments

Uncorrected misstatements

We report all individual identified unrecorded audit adjustments in excess of £380,000 and other identified misstatements in aggregate not adjusted by management in the table below. The following potential misstatements have been identified during the course of our audit to date but have not been adjusted:

		Credit/ (charge) to current year fund account £'000	Increase/ (decrease) in net assets £'000	Increase/ (decrease) in contributions £'000
Factual / Judgemental misstatements				
Investment valuation	[1]	404	404	-
Total		404	404	-

[1] The private equity valuations for March were noted to be £404,000 higher than the carrying valuation in the accounts. As such, an adjustment is noted to increase the asset value and change in market value.

We will obtain written representations from the authority confirming that after considering all uncorrected items, both individually and in aggregate, in the context of the consolidated financial statements taken as a whole, no adjustments are required.

Disclosure misstatements

No disclosure deficiencies identified.