



London Borough of  
Hillingdon Pension Fund  
Audit results report

Year ended 31 March 2017



**EY**

Building a better  
working world

Private and Confidential

01 September 2017

Dear Committee Members

We have substantially completed our audit of Hillingdon Pension Fund for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 30 September 2017.

This report is intended solely for the use of the Pensions Committee and Audit Committee, other members of the Fund, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Tim Sadler

Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

# Contents

01 Executive Summary



02 Areas of Audit Focus



03 Audit Report



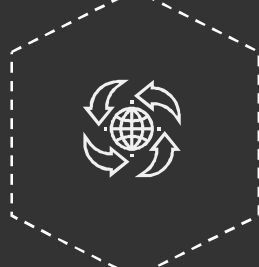
04 Audit Differences



05 Other Reporting Issues



06 Assessment of Control Environment



07 Appendices



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature..

This report is made solely to the Audit Committee, the Pension Fund Committee, and other members of the Fund and management of London Borough of Hillingdon in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, the Pension Fund Committee, and other members of the Fund and management of London Borough of Hillingdon those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, the Pension Fund Committee, and other members of the Fund and management of London Borough of Hillingdon for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01

# Executive Summary



# Executive Summary

## Overview of the audit

### Scope and materiality

In our Audit Plan presented to the 16 March 2017 Audit Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £8.012m. We reassessed this using the actual year-end figures, which has increased this amount to £9.567m. The threshold for reporting audit differences has also increased from £6.077 m to £7.715 m for corrected misstatements. The basis of our assessment of materiality has remained consistent with prior years at 1 % of Net Assets.

### Status of the audit

We have substantially completed our audit of London Borough of Hillingdon's Pension Fund financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Fund's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- completion of subsequent events review
- review of the final version of the financial statements and annual report
- receipt of the signed management representation letter
- clearance of any outstanding review comments



## Executive Summary

---

### Executive summary (continued)

#### Objections

We have not received any objections to the 2016/17 accounts from members of the public.

#### Audit differences

We currently have no unadjusted audit differences.

We have identified a number of audit differences which have been adjusted by management. Details can be found in Section 4 Audit Differences.

#### Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of London Borough of Hillingdon Pension Fund's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Pension Fund Committee or the Audit Committee.



## Executive Summary

### Executive summary (continued)

#### Other reporting issues

We have reviewed the information presented in the Annual Report for consistency with the audited financial statements and our knowledge of the Fund. We have no matters to report as a result of this work.

We have no other matters to report.

#### Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements. We did however note that as part of our review of the bank reconciliations that we were unable to comment upon the timeliness of the reconciliations as they were not dated. There was no clear evidence that they had been reviewed.

We would recommend that all reconciliations are signed off as dated and reviewed as evidence of timely review.

#### Independence

Please refer to Appendix B for our update on Independence.





# 02 Areas of Audit Focus







## Areas of Audit Focus

# Audit issues and approach: Risk of Incorrect Valuation of Investments

### Risk of Incorrect Valuation of Investments

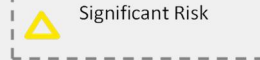
#### What are our conclusions?

We have concluded our work in respect of this Significant Risk and have not identified any material errors.

#### What is the risk?

Based on initial planning work on the Pension Fund and discussions with management we note that the Pension Fund holds a significant balance of investments in alternative investments, including Private Equity funds.

By their very nature these investments are more difficult to value and their valuation includes an element of judgement.



#### What did we do?

Our approach to Investment Valuation included the following:

- We obtained third party confirmations for investment valuations from both the custodian and the investment manager;
- We obtained the latest audited accounts for these funds and reviewed any comments made by their auditors;
- We compared the valuations as at the date of the audited reports and as at 31 March 2017 and we investigated any unexpected fluctuations;
- We reviewed investment valuation policies used by Northern Trust on whose valuation the PF primarily relies;
- We obtained the latest available ISAE 3402 reports for the custodian and the investments managers and reviewed the controls environment in place around those policies.



# Areas of Audit Focus

## Audit issues and approach: Management Override

### Management override

#### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

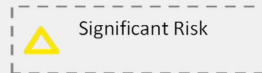
We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business.

#### What is the risk?

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.



#### What did we do?

Our approach to Management Override included the following:

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias; and
- We evaluated the business rational for any significant unusual transactions.



## Areas of Audit Focus

# Audit issues and approach: Pensions Administrator Transition

### Pensions Administrator Transition

#### What are our conclusions?

As a result of the work performed we did not identify any material issues in respect of the transition.

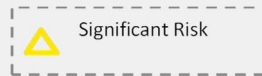
#### What is the risk?

##### Pensions Administrator Transition

The Pension Fund changed the provider of pensions' administration services from Capita to Surrey County Council in year.

Given the size of the Fund and the number of members there is a risk that not all data was correctly transferred to the new administrator.

There is a further risk that, in the first few months as new administrator, procedures and controls may not yet been embedded and thus errors may be more likely to occur.



#### What did we do?

Our approach to the transition of pensions administrator included the following:

- We reviewed the nature of the new agreement with Surrey County Council;
- We reviewed project planning documents and minutes in respect of the transition. This included reviewing correspondence from the external organisation (Aquila Heywood) who oversaw the data transfer;
- We completed analytical procedures to establish any deviations in membership numbers and values of benefits payments from expected values;
- We reviewed minutes of Pensions Committee meetings to understand any potential issues arising from the transition.
- We tested an extensive sample of benefits payments made to members back to supporting documentation and the system.



## Areas of Audit Focus

# Audit issues and approach: Investment Manager Transitions

### Investment Manager Transitions

#### What are our conclusions?

We have completed our work in this area and have not identified any material issues.

#### What is the risk?

##### Investment Manager Transitions

We understand the significant changes to investments are:

- ▶ Transfer of investment portfolio from State Street to Legal and General;
- ▶ Transfer of investment portfolio from Kempen to Newton;
- ▶ Transfer of investment portfolio from GMO to Legal and General;
- ▶ Transfer of the Ruffer portfolio into the London Collective Investment Vehicle

With any investment changes there is an audit risk that transactions may be omitted from the financial statements or not be reported fairly.

#### What did we do?

Our approach to investment manager transitions included the following:

- ▶ We reviewed the audit trail of these movements and proceeds and verified significant transactions to external audit evidence;
- ▶ We obtained adequate assurance to support that the changes have been accounted for and disclosed as expected;
- ▶ We obtained and reviewed the investment manager's contracts to understand the nature of the new investments, and any relevant audit risks
- ▶ We obtained external confirmations to support the investment valuation.



# 03 Audit Report





# Audit Report

## Draft audit report

### Our opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HILLINGDON

##### Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise:

- the Fund Account,
- the Net Assets Statement; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of London Borough of Hillingdon in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

##### Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Responsibilities of the Director of Finance set out on page 10, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



# Audit Report

## Draft audit report (continued)

### Our opinion on the financial statements

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and the amount and disposition of the fund's assets and liabilities as at 31 March 2017; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

#### Opinion on other matters

In our opinion, the information given in the London Borough of Hillingdon Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.



# Audit Report

## Draft audit report (continued)

### Our opinion on the financial statements

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

*Tim Sadler (senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Reading  
25 September 2017.*

The maintenance and integrity of the London Borough of Hillingdon web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04

## Audit Differences



# Audit Differences

## Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Summary of adjusted differences

We have included all known amounts greater than £7.175m relating to Hillingdon Pension Fund in our summary of misstatements table below.

We highlight the following misstatements in the financial statements or disclosures identified during the audit. These have been corrected by management:

- In Note 15 (Fair Value) there was an adjustment between Level 1 and Level 2 in the Fair Value Hierarchy. The total transfer between these categories is as follows:  
2016/17: Level 1 £725.423m to £140.936m & Level 2 £114.916m to £699.403m.  
2015/16: Level 1 £592.570m to £176.478m & Level 2 £106.368 m to £522.459m.  
These are disclosure adjustments only and there is no impact on the primary statements.
- In Note 17 (Nature and Extent of Exposure to Risks Arising from Financial Instruments) the prior year table 'Assets exposed to currency risk' was amended from £8.512m to £139.996m. This error arose as a result of an error in one of the formula computation fields. This is a disclosure adjustment only and there is no impact on the primary statements.
- In Note 17 (Nature and Extent of Risks Arising from Financial Instruments) the amount for Bonds (Pooled Funds) was amended from £133.160m to £148.817m. This error was identified by officers. Officers identified an error in the classification of an asset by the custodian and restated this Note. This is a disclosure adjustment only and there is no impact on the primary statements.

There are currently no uncorrected misstatements.





05

## Other reporting issues





## Other reporting issues

---

### Other reporting issues

#### Consistency of other information published with the financial statements, including the Annual Report

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2016/17 with the audited financial statements.

Financial information in the Statement of Accounts 2016/17 and published with the financial statements was consistent with the audited financial statements.

#### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Fund to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Fund, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.



## Other reporting issues

# Other reporting issues

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations

We have nothing to report in respect of these areas.



06

## Assessment of Control Environment



## Assessment of control environment

### Financial controls

It is the responsibility of the Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We did however note that as part of our review of the bank reconciliations that we were unable to comment upon the timeliness of the reconciliations as they were not dated. There was no clear evidence that they had been reviewed.

We would recommend that all reconciliations are signed off as dated and reviewed as evidence of timely review.



A close-up photograph of a person's hand sorting through a filing cabinet. The hand is reaching into a drawer filled with numerous manila-colored folders, each containing stacks of papers. The background shows the perforated metal shelves of the cabinet. The lighting is soft and focused on the hand and the papers.

# 07 Appendices





# Appendix A

## Required communications with the Audit Committee





There are certain communications that we must provide to the Audit Committee of UK clients. We have done this by:

### Our Reporting to you

Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan presented to the Audit Committee on 16 March 2017.
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Any significant difficulties encountered during the audit</li> <li>• Any significant matters arising from the audit that were discussed with management</li> <li>• Written representations we have requested</li> <li>• Expected modifications to the audit report</li> <li>• Any other matters significant to overseeing the financial reporting process</li> </ul>	Audit Results Report presented to the Pension Fund Committee on 25 September 2017 and Audit Committee on 27 September.
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about London Borough of Hillingdon's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Significant corrected misstatements, in writing</li> </ul>	Audit Results Report presented to the Pension Fund Committee on 25 September 2017 and Audit Committee on 27 September.




# Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Fraud	<ul style="list-style-type: none"> <li>▶ Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Fund</li> <li>▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving:               <ul style="list-style-type: none"> <li>(a) management;</li> <li>(b) employees with significant roles in internal control; or</li> <li>(c) others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▶ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit
Related parties	<p>Significant matters arising during the audit in connection with the Fund's related parties including, where applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and/or regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters to report.
Subsequent events	<ul style="list-style-type: none"> <li>▶ Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	We have asked management and those charged with governance. We have no matters to report.
Other information	<ul style="list-style-type: none"> <li>▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.</li> </ul>	We have no matters to report.
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ We were unable to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations.
Consideration of laws and/or regulations	<ul style="list-style-type: none"> <li>▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off"</li> <li>▶ Asking the Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit Committee.</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.



# Appendix A

## Our Reporting to you

Required communications	What is reported?	 When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Plan presented to the Audit Committee on 16 March 2017. Audit Results Report presented to the Pensions Committee on 25 September and Audit Committee on 27 September.
Independence	<p>Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information on the firm's general policies and processes for maintaining objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	Audit Plan presented to the Audit Committee on 16 March 2017. Audit Results Report presented to the Pensions Committee on 25 September and Audit Committee on 27 September.
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	Audit Plan presented to the Audit Committee on 16 March 2017. Audit Results Report presented to the Pensions Committee on 25 September and Audit Committee on 27 September.



## Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 16 March 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Pensions Committee on 25 September 2017 or at the Audit Committee on 27 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31st March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2016.

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Final Fee 2015/16 £
Total Audit Fee - Code work	TBC*	21,000	21,000

- Additional fee in respect of Significant Risks identified in Audit Plan. Proposed additional fee not yet determined. In line with the requirements of the Public Sector Audit Appointments Ltd (PSAA) any additional fee will need to be approved by the PSAA before being invoiced. We will discuss the additional fee with key officers before submitting this to the PSAA.








## Appendix C

# Outstanding matters

The following items are outstanding at the date of this report:

Item 	Actions to resolve 	Responsibility 
Receipt and checking of final version of the financial statements incorporating agreed audit adjustments	Receipt and checking of final version of the financial statements incorporating agreed audit adjustments	EY and management
Management representation letter	Receipt of signed management representation letter	Management
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Clearance of any outstanding review comments	Team to work through remaining open review comments and close down	EY and management



## Appendix D

# Management representation letter

London Borough of Hillingdon Management Rep Letter 2016-17

### Management Rep Letter

25 September 2017

Tim Sadler  
Executive Director  
Ernst & Young LLP  
19 Threefield Lane  
Southampton  
SO14 3QB

Dear Sirs

This letter of representations is provided in connection with your audit of the financial statements of Hillingdon Pension Fund (“the Fund”) for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2017 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2017, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.



## Appendix D

# Management representation letter

London Borough of Hillingdon Management Rep Letter 2016-17

### Management Rep Letter

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and are free of material misstatements, including omissions. We have approved the financial statements.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.



# Management representation letter

London Borough of Hillingdon Management Rep Letter 2016-17

### Management Rep Letter

#### **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. 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.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Fund's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Fund.

#### **C. Compliance with Laws and Regulations**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
2. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
3. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty. We have drawn to your attention all correspondence and notes of meetings with regulators.



# Management representation letter

London Borough of Hillingdon Management Rep Letter 2016-17

### Management Rep Letter

#### D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Fund and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meetings on the following dates: 14 June 2017 for the Pensions Committee and 29 June 2017 for the Audit Committee.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.



## Appendix D

# Management representation letter

London Borough of Hillingdon Management Rep Letter 2016-17

### Management Rep Letter

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and 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, including all covenants, conditions or other requirements of all outstanding debt.
7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.
4. No other claims in connection with litigation have been or are expected to be received.

#### **F. Subsequent Events**

1. As described in Note 24 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.





# Management representation letter

London Borough of Hillingdon Management Rep Letter 2016-17

### Management Rep Letter

#### **G. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises The London Borough of Hillingdon Pension Fund Annual Report 2016/17.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### **H. Derivative Financial Instruments**

1. We confirm the Fund's statement of investment principles has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions.
2. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the Fund at the year end and the terms and conditions relating thereto.
3. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

#### **I. Actuarial valuation**

1. The latest report of the actuary Hymans Robertson as at 31 March 2017 and dated 28 April 2017 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.



# Management representation letter

London Borough of Hillingdon Management Rep Letter 2016-17

### Management Rep Letter

#### **J. Ownership of Assets**

1. The Fund has satisfactory title to all assets appearing in the Net Asset Statement, and there are no liens or encumbrances on the Fund's assets, nor has any asset been pledged as collateral, other than those that are disclosed in the financial statements. All assets to which the Fund has satisfactory title appear in the Net Asset Statement.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

#### **K. Purchase and Sales Commitments**

1. Losses arising from purchase and sales commitments have been properly recorded and adequately disclosed in the financial statements.
2. At the year end, the Fund had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Fund (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfilment of, or inability to fulfil, sales commitments, etc.).



# Management representation letter

London Borough of Hillingdon Management Rep Letter 2016-17

### Management Rep Letter

#### **L. Use of the Work of a Specialist**

We agree with the findings of the specialists that we used to evaluate the valuation of investments and the classification of assets under fair value levelling requirements and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

#### **M. Estimates**

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.



## Appendix D

# Management representation letter

London Borough of Hillingdon Management Rep Letter 2016-17

Management Rep Letter

Yours faithfully,

---

Paul Whaymand  
Corporate Director of Finance

---

Cllr Philip Corthorne  
Chairman of Pensions Committee

EY | Assurance | Tax | Transactions | Advisory

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

© 2017 EYGM Limited.  
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

[ey.com](http://ey.com)