

DRAFT - INTERIM UPDATE

**London Borough of
Hillingdon Pension Fund
Initial Audit results report**
Year ended 31 March 2020

23 July 2020

Hillingdon Pension Fund

23 July 2020



Dear Pensions Committee Members

We are pleased to attach our initial audit results report in relation to the audit of Hillingdon Pension Fund for 2019/20 ('Pension Fund') for the forthcoming meeting of the Pensions Committee.

Our audit is currently in progress. In response to a request from management, we are using this report to communicate to the Pensions Committee the status of our audit of the Pension Fund for the year ended 31 March 2020.

As set out on page 5, a number of issues have arisen as a result of COVID-19 which have impacted our work, and may yet have an impact on our audit report.

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

We are aiming to complete our audit procedures and report to the 1 October 2020 Audit Committee meeting.

We would like to thank your staff for their ongoing help during the engagement, especially as they have themselves also needed to adapt to remote working and the pressures and strains that come with that. We are very grateful for their help.

We welcome the opportunity to discuss the contents of this report with you at the Pensions Committee meeting on the 28th of July 2020.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S Patel', written in a cursive style.

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). It is available from the Chief Executive of each audited body and via the PSAA website.

This 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 April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.



01 Executive Summary

Scope update

In our Audit Plan tabled at the 3rd February 2020 Audit Committee meeting, we provided an overview of our audit scope and approach for the audit of the financial statements. We are conducting our audit in accordance with this plan.

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19

- ▶ **Valuation of Investments-** financial markets have experienced some volatility even before the advent of COVID-19. The uncertain impact of the virus on markets has had an impact on pooled property funds with underlying property investments being subject to the Royal Institute of Chartered Surveyors (RICS) 'material uncertainty' paragraphs in their valuation reports. There are also increased risks that market and economic trends may not be adequately reflected in assets classified as Level 3 - valued according to unobservable information. The Fund's officers have challenged valuations, especially those which are classified as level 3 (and are the most complex to value because of their nature, see p.11.). We considered level 3 investment valuations to be a significant risk when we planned the audit, and COVID-19 has exacerbated the position.
- ▶ **Disclosures on Going Concern** - Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We determined that the unpredictability of the current environment gave rise to a risk that the Pension Fund would not appropriately disclose the key factors relating to going concern, underpinned by a management assessment with particular reference to Covid-19 and the Pension Fund's actual year end financial position and performance.
- ▶ **Events after the balance sheet date** - We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Pension Fund and in particular changes to the value of its investments post 31 March 2020.

Changes to the scope of our audit as a result of Covid-19

- ▶ We updated our enquiries and understanding of the significant classes of transactions and the relevant controls in light of Covid-19.
- ▶ We are challenging officers on the valuations provided to them by their specialists and are testing the additional disclosures related to investment valuation uncertainties due to Covid-19.

Changes in materiality

We updated our planning materiality assessment using the draft statements and have also reconsidered our risk assessment. Based on our materiality measure of net assets, we have updated our overall materiality assessment to £9.920m (previously £10.669 m). This results in updated performance materiality, at 75% of overall materiality, of £7.440 m, and an updated threshold for reporting misstatements of £0.496m.

We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate.

Executive Summary

Scope update (continued)

Additional audit procedures as a result of Covid-19

Other changes in the Fund and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Pension Fund's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports. The uncertainty created by Covid-19 increases the importance of giving the right assurance to the Pension Fund and its stakeholders. As a result, EY's risk management team have instigated additional consultation processes on the wording of the auditor's report. In light of issues with asset valuations and going concern, this consultation process will involve significant senior level input from the audit team and EY's risk management team.

The changes to audit risks and audit approach have increased the level of work we have been required to undertake. We are currently quantifying the impact on the audit fee and will present our final fee to the Section 151 officer on completion of the audit.

Status of the audit

Our audit of the Pension Fund's financial statements for the year ended 31 March 2020 is in progress and we are in the process of performing the procedures outlined in our audit planning report. The Pension Fund had originally planned to prepare its draft statements by 28 May, be ready for starting the audit on 26 May and facilitate completing the audit procedures by 24 July. However, the Pension Fund experienced delays in accounts preparation and readiness for the audit resulting in draft accounts being provided for audit on 15 June and the audit commencing on 1 June.

As a result we are still undertaking key audit areas relating to:

- ▶ Fair value hierarchy classification of pooled property investments.
- ▶ Completion of reviews of controls at investment managers.
- ▶ Adequacy and completeness of disclosures in the Pension Fund's accounts with respect to investments' valuation uncertainties.
- ▶ Review of all other updated disclosures in the accounts, including going concern and subsequent events disclosures.
- ▶ Accuracy of active members disclosed in the accounts.
- ▶ Triennial review of the pensions data submitted to the actuaries.
- ▶ Subsequent events review. Receipt of the signed management representation letter
- ▶ Final review of the updated financial statements and annual report following audit.

(continued over)

Executive Summary

Status of the audit (continued)

In light of the volume of audit work outstanding at the date of this report we have not included a draft audit report as we have in previous years. We will include the audit report in our reporting to the 1 October 2020 Audit Committee meeting.

Audit differences

There are currently no unadjusted or adjusted audit differences arising from our audit which we need to bring to your attention. We have identified a small number of audit differences in disclosures which have been adjusted by management. These all fall below the level at which we need to report them to you.

Further details of the thresholds which we apply to report audit differences can be found in Section 3.

As the audit is still ongoing it is possible that we will identify audit differences which we will need to bring to your attention. We will provide an update at the Pensions Committee meeting on 28th July and then to the Audit Committee on 1 October.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Hillingdon Pension Fund's financial statements, this report sets out our observations and conclusions. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" 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 Pensions Committee.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. As we have gone through the audit, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement.

Independence

We have no new independence matters to report but provide an update on Independence at Section 6.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatement due to Fraud & Error - Posting of investment journals

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement. There is a risk that due to fraud or error, journals posted into the general ledger for the investment values are incorrect.

What judgements are we focused on?

We focused on aspects of the financial statements related to investment journal entries as this area in particular is a manual process from receiving the investment report from the Custodian to inputting the results of the report into the accounting system.

What did we do?

Our approach focused on testing the appropriateness of manual journal entries recorded in the general ledger posting investment values ensuring:

- ▶ The amount is supported by the fund manager/custodian report;
- ▶ Correct authorisations have been obtained.

What are our conclusions?

Our work in this area is ongoing and we are not yet in a position to conclude, however we have not identified findings to report to you as of the date of this report.



Areas of Audit Focus

Significant risk

Risk of Incorrect Valuation of Investments

What is the risk?

The Fund's investments include unquoted pooled investment vehicles such as private equity, private debt and infrastructure funds. Judgements are taken by the Investment Managers to value those investments whose prices are not publicly available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

What judgements are we focused on?

The proportion of the fund comprising these investment types in 2019/20 is at circa 11.1% (2018/19: 10.8%), and as these investments are more complex to value, we have identified the level 3 investments as higher risk, as even a small movement in these assumptions could have an impact on the financial statements.

We have assessed that the risk of incorrectly valuing investments is significant for level 3 investments held by the pension fund.

Total of level 3 investments held by the Fund at 31 March 2020 is £110 million.

What are we doing?

- ▶ Reviewing the latest available audited accounts for the relevant funds and ensuring there are no matters arising that highlight weaknesses in the fund's valuation;
- ▶ Where the latest audited accounts were not as at 31 March 2020, we are performing analytical procedures and other procedures to assess the valuation for reasonableness against our own expectations; and
- ▶ Confirming that accounting entries were correctly processed in the financial statements.

What are our observations?

In the draft statements, pooled property assets are defined as level 2, consistent with previous years. As a result of the impact of COVID-19 on investments, many property valuers are issuing valuations for the underlying property assets including material uncertainty paragraphs in their valuation report. This increases the uncertainty around the valuation of these funds. We are therefore challenging whether it is still appropriate to classify pooled property investments as level 2 rather than level 3.

Our work in this area is ongoing, and we are not yet in a position to conclude.

Other Areas of Audit Focus

Our response to inherent risks

New Inherent Risk - Disclosures on Going Concern and Events after the balance sheet date

Financial statement impact

We have identified an Inherent risk relating to disclosures concerning the Covid-19 pandemic.

We consider the risk applies to going concern and post balance sheet disclosures.

What is the risk?

Going concern:

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

We believe the risk has increased following Covid-19. We consider the unpredictability of the current environment to give rise to a risk that the Pension Fund will not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19.

Events after the balance sheet:

There is increased risk that events after the balance sheet date concerning the Covid-19 pandemic may impact on the value of assets in the statement and may need to be disclosed. The amount of detail required in the disclosure will need to reflect the specific circumstances of the Pension Fund.

What did we do?

- Assessed the adequacy of disclosures required in 2019/20, and the impact on our opinion, should these be inadequate;
- Discussed management's going concern assessment and considered any evidence of bias and consistency with the accounts;
- Ensured that an appropriate going concern disclosure has been made within the financial statements;
- Reviewed the Authority's approach to identifying and disclosing events after the balance sheet date; and
- Considered the impact on our audit report and compliance with EY consultation requirements.

We are still working through a number of these areas to agree final disclosures with the Fund.

We will also need to formally complete internal EY consultation to agree the final audit report and conclusions in respect of Going Concern and Post Balance Sheet Event disclosures as a result of Covid-19.



03

Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the 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 highlight any misstatements greater than £7.440 million which have been corrected by management during the course of our audit. There are no corrected misstatements to bring to your attention as at the date of this report.

We report to you any uncorrected misstatements greater than our nominal value of £0.496 million. There are no uncorrected misstatements to bring to your attention as at the date of this report.

Some minor disclosure amendments have been made which do not need to be brought to the Committee’s attention.

There are currently no uncorrected misstatements. We will provide a verbal update at the Pension Committee meeting on 28th July and report a final position to the 1 October Audit Committee meeting.



04 Other reporting issues



Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements. The Fund has yet to publish the additional information pertaining to the Statement of Accounts for 2019/20 and as a result we are not in a position to conclude on the consistency with the financial statements as of this date.

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 Pension 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 at this stage of the audit.

We also have a duty to make written recommendations to the Pension 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 at this stage of the audit.

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 Pension 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 currently have no matters to report, but as noted earlier in this report our procedures remain ongoing particularly in respect of completing the assessment of going concern and post balance sheet events disclosures, and the final form of the audit report.



05

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 Authority 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.



06

Independence

Independence

Confirmation

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated February 2020.

We complied with the APB Ethical Standards. 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 that should be reviewed by both you and ourselves. It is therefore important that you and your Audit Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Pensions Committee on 28 July and then the Audit Committee on 1 October 2020.

As part of our reporting on our independence, we set out a summary of the fees you have paid us in the year ended 31st March 20. We confirm that we have not undertaken non-audit work. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.

Notes:

1. We are currently in discussion with the Section 151 officer about our proposals to increase the scale fee to take into account changes in professional and regulatory requirements, as well as changes to the scope of our audit as a result of Covid-19 as detailed on page 5.
2. We are completing procedures on IAS19 to give assurance to the auditor of the London Borough of Hillingdon. For 2019/20 we have also carried out procedures over the 2019 triennial valuation of the Fund. The triennial valuation informs both the assessment of the IAS19 liabilities in the Council's financial statements and the actuarial present value of promised retirement benefits in the Pension Fund financial statements. The fees associated to IA19 assurances are outside of the scope of the PSAA regime.
3. Additional time will be required for internal consultation processes on the audit report. As this process has not yet been completed we are currently unable to quantify the impact on our audit fee.

We will discuss and agree all proposed additional fees with the Section 151 officer before reporting them to the Audit Committee. We will then seek PSAA approval for additional fee items 1 and 3.

Fees

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2020.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements.

Description	Planned Fee 2019/20 (£)	Final Fee 2018/19 (£)
Scale Fee	16,170	16,170
Changes in work required to address professional and regulatory requirements and scope associated with risk	(Note 1)	-
Additional work due to restated investment value	-	1,265
Additional procedures on IAS19 and the triennial valuation	(Note 2)	-
Additional work required for internal consultation on the audit report	(Note 3)	-
Total indicative Pension Fund Fee	TBC	16,170

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors 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 the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1st April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The previous includes a summary of the fees that you have paid to us in the year ended 31st March 20 in line with the disclosures set out in FRC Ethical Standard and in statute. We confirm that none of the services listed below has been provided on a contingent fee basis. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.

Independence

Summary of key changes (continued)

- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf





07

Appendices

Appendix A

Required communications with the Audit Committee




There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		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.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report on 3 February 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report on 3 February 2020
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Initial Audit results report on 28 July 2020 Final Audit results report on 1 October 2020
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Final Audit results report on 1 October 2020
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Initial Audit results report on 28 July 2020 Final Audit results report on 1 October 2020

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Initial Audit results report on 28 July 2020 Final Audit results report on 1 October 2020
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Pension Fund ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Pension Fund, any identified or suspected fraud involving: <ol style="list-style-type: none"> Management; Employees who have significant roles in internal control; or Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Initial Audit results report on 28 July 2020 Final Audit results report on 1 October 2020
Related parties	Significant matters arising during the audit in connection with the Pension Fund's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Pension Fund 	Initial Audit results report on 28 July 2020 Final Audit results report on 1 October 2020
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats - Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report on 3 February 2020 and Audit results report on 28 July 2020 Final Audit results report on 1 October 2020




Appendix A

		Our Reporting to you
Required communications	 What is reported?	  When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Initial Audit results report on 28 July 2020 Final Audit results report on 1 October 2020
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Initial Audit results report on 28 July 2020 Final Audit results report on 1 October 2020
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Final Audit results report on 1 October 2020
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Initial Audit results report on 28 July 2020 Final Audit results report on 1 October 2020
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Initial Audit results report on 28 July 2020 Final Audit results report on 1 October 2020
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report on 3 February 2020 Initial Audit results report on 28 July 2020 Final Audit results report on 1 October 2020

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Annual Report and accounts	Review of the Annual Report and associated support for disclosures Incorporation of EY review comments on disclosure notes	EY and management
Fair value hierarchy classification of pooled property investments	Clarifications from management and EY internal consultations	EY and management
Completion of reviews of controls at the investment managers levels	Receipt and review of final controls reports and relevant bridging letters	EY and management
Accuracy of active members disclosed in the accounts	EY's review of updated information and calculations provided by management	EY and management
Adequacy and completeness of disclosures in the Pension Fund's accounts with respect to investments' valuation uncertainties	Financial statements review by EY and agreement of latest changes with management	EY and management
Review of all other updated disclosures in the accounts, including going concern and subsequent events disclosures	Financial statements review by EY and agreement of latest changes with management	EY and management
Triennial review of the pensions data submitted to the actuaries	Providing access to all relevant documentation to EY and EY's review and agreement with the report submitted to the actuaries	EY and management
Management representation letter	Receipt of signed management representation letter	Management and audit committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

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