

Hillingdon Pension Fund

Audit progress update

16 September 2022



London Borough of Hillingdon Pension Fund
Uxbridge
UB8 1UW

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Dear Audit and Pensions Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Audit and Pensions Committees with an overview of the current status of the Pension Fund's 2021/22 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson

For and on behalf of Ernst & Young LLP

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Status of the 2021/22 audit

2021/22 financial statements

Our Outline Audit Planning Report identified the key areas of focus for our audit of the Pension Fund's 2021/22 financial statements, which have not changed as of the date of this progress report. This page sets out our progress and observations on work to date on these areas. We will provide a further verbal update to the 28 September 2022 Pensions Committee and the 29 September 2022 Audit Committee meetings.

The audit is well progressed, subject to internal reviews. We have the following findings to bring to your attention at the date of this report.

| Risk / area of focus | Risk identified | Progress to date |
|--|--------------------|---|
| Management Override: Misstatement due to fraud or error | <i>Fraud</i> | Subject to internal reviews, we have not identified any indications of management overriding controls through our work undertaken as lined up in the Outline Audit Planning Report. |
| Misstatement of investment income and investment values through fraudulent journal entries | <i>Fraud</i> | Our work in this area is prepared and subject to internal reviews. There are no issues that we wish to draw to your attention at the date of this report. |
| Risk of incorrect valuation of unquoted (Level 3) investments | <i>Significant</i> | Our work in this area is prepared and subject to internal reviews. We noted that five investments valued at a total of £47 million were classified at level 2 fair value hierarchy, however we were not able to obtain clear observable inputs used in their valuation. Thus, we proposed a re-classification to level 3 fair value hierarchy, which management accepted to correct in the accounts. We have no other findings to report at this date. |
| IAS 26 disclosure - Actuarial Present Value of Promised Retirement Benefits | <i>Inherent</i> | Our work in this area is prepared and subject to internal reviews. We assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - consulting actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team. To meet the requirements set by ISA540, we used the work of our expert EY Pensions to create an auditor's estimate for the pension liability. The liability fell within our expected range. We have no matters to bring to your attention at this date. |
| Going Concern Disclosure | <i>Inherent</i> | The draft financial statements have been prepared on a going concern basis. Management's assessment of going concern will be provided to us closer to the completion of the audit and we will perform our planned procedures then. |