

# Hillingdon Pension Fund Final Audit Results Report

Year ended 31 March 2023

12 November 2024



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working world



Hillingdon Pension Fund

12 November 2024

Dear Audit Committee/Pension Committee Members,

**2022/23 Final Audit Results Report**

We are pleased to attach our Final Audit Results Report, summarising the status of our audit and the remaining steps to the issue of our final opinion for the forthcoming meeting of the Audit Committee. This report provides an update to our Provisional Audit Results Report presented to the Committee at its meeting on 30 April 2024.

The audit is designed to express an opinion on the 2022/23 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Hillingdon Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Pension Committee, Audit Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 20 November 2024.

Yours faithfully

*Debbie Hanson*

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/psaa-statement-of-responsibilities-of-auditors-and-audited-bodies-upto-2022-23/>). 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 and further guidance from July 2021" 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 and management of London Borough of Hillingdon Council and Hillingdon Pension Fund in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit Committee and management of Hillingdon Pension Fund 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 and management of London Borough of Hillingdon Council and Hillingdon Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01

# Executive Summary



# Executive Summary

## Scope update

In our Provisional Audit Planning Report presented to the 30 April 2024 Audit Committee meeting, we provided you with an overview of our update to audit scope and approach for the audit of the financial statements.

There have been no other changes in scope of the audit subsequent to the issue of our previous report.

## Status of the audit

In our Provisional Audit Results report presented to the 30 April 2024 Audit Committee meeting, we indicated that the testing of membership numbers was still outstanding.

All the evidence to support the completion of this testing has subsequently been received and we have been able to conclude our testing. Our conclusions in relation to this testing are on page 20 of this report.

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

- ▶ Completion of subsequent events procedures up to the date of our audit report;
- ▶ Receipt and check of a signed accounts and a signed letter of management representation.

A current draft of our audit opinion is included in Section 03 of this report.

## Audit differences

We have identified the following audit differences which have been adjusted. There are no changes to the differences previously reported in our Provisional Audit Results Report in April 2024:

- ▶ Understatement of investment asset valuations in the financial statements of £2.7 million, due to the provision of more up to date valuations.
- ▶ A misstatement between investment income and profit and loss on disposal of investments and changes in market value of £4.3 million. This was mainly due to the fact that the distribution by LCIV MAC Fund was processed as a cash distribution rather than a re-investment of dividends. Management did not identify this error because the year-end valuation matched that of the fund manager.
- ▶ Differences in relation to the fair value hierarchy classification of investments. The classification was based on previous year's (2021/22) classification. The fund manager had not informed management of any changes in valuation techniques from the previous year and as a result management did not make any changes to the classification. There was no net impact on the financial statement investment disclosures as the two differences between level 2 and level 3 netted to zero. The gross adjustment is £64.3 million.
- ▶ Other minor audit differences in the financial statement disclosures.

For further information on audit differences refer to Section 04 of this report.

# Executive Summary (cont'd)

## Areas of audit focus

In our Provisional Audit Plan, we identified a number of key areas of focus for our audit of Hillingdon Pension Fund. This report sets out our observations and the status of our work in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Fraud risks	Findings & conclusions
Misstatements due to fraud or error (management override)	<p>We carried out procedures to address this risk as set out in our Provisional Audit Plan, including identifying risks, considering controls and their effectiveness, testing journal entries and testing estimates for evidence of management bias.</p> <p>We have completed our work in this area and have no matters to bring to your attention.</p>
Misstatement due to fraud or error (incorrect posting of investment valuation journals)	<p>We carried out our planned audit procedures to address the risk related to incorrect posting of investment valuation journals. This included a reconciliation between the fund manager reports and the custodian reports to address the risk of manipulation of investment asset valuations.</p> <p>We have completed our audit procedures and have identified an audit difference of £2.7 million that understated the investment asset valuations as reported in the Pension Fund's Financial Statements compared to the value reported by the fund manager. This misstatement was due to more up to date valuations by the fund managers, as noted below, and is not an indication of fraud.</p>

Significant risk	Findings & conclusions
<b>Incorrect valuation of unquoted (Level 3) investments</b>	<p>We undertook additional procedures, as described more fully in Section 02 of this report, to gain assurance over the material accuracy of the year-end valuation of the Pension Fund's Level 3 complex investments, which are inherently more difficult to value.</p> <p>We have completed our work in this area. We identified an understatement of £2.7 million in the valuation of investment assets. This is due to differences in values reported by the fund managers compared to the figures included in the financial statements. This was due to the fund managers having more up to date information on the asset valuations compared to the custodian at the time the Pension Fund prepared its financial statements.</p>
<b>Higher inherent risk</b>	<b>Findings &amp; conclusions</b>
IAS26 disclosure - Actuarial present value of promised retirement benefits	We carried out procedures to address this risk as set out in our Provisional Audit Plan. We have completed these procedures and have no matters to bring to your attention.



# Executive Summary (cont'd)

## Control observations

During the course of the audit we have identified the following control observations which we wish to bring to your attention:

- Weakness in the review controls with regards to disclosure of membership numbers as a result of the processing of the backlog unprocessed records, which led to the incorrect disclosure in the Pension Fund accounts submitted for audit. There remains a backlog in processing new members and therefore we recommend that management undertake a detailed review of the new joiners listing to ensure members are disclosed in the correct category going forward. We would also recommend that management review year-end membership numbers to ensure movements in numbers can be explained relative to the contributions received for the year.
- Our audit of fair value hierarchies of the Pension Fund's assets which are measured at fair value identified a re-classification of investments from level 2 to level 3 of £62.3 million. Although there is an element of judgment in the fair value hierarchies classification, strengthening controls around the identification and documentation of observable and unobservable inputs used in valuations would minimise the risk of such audit findings in the future.
- Weaknesses in the procedures in place for the Pension Fund to obtain declarations of interests from Members of the Pensions Committee and the Audit Committee. Two out of the five required declarations were not initially obtained by management and were also not on the Pension Fund/Council website. Although these were subsequently provided, the failure to obtain such declarations on a timely basis exposes the Pension Fund to the risk that they may not be able to obtain the required declarations retrospectively, for example if a member resigns before the declaration is received. In this situation, management would not have sufficient audit evidence to confirm if the member engaged in related party transactions and alternative audit procedures would need to be performed.

Further detail on control observations is included in Section 06

## Independence

Please refer to Section 07 for our update on Independence.

A close-up photograph of a person's hand holding a silver pen, pointing at a bar chart displayed on a tablet. The chart features several bars of varying heights, colored in shades of green, yellow, and red. The background is dark and out of focus.

## 02 Areas of Audit Focus



# Areas of Audit Focus

## Misstatements due to fraud or error

### What is the risk?

There is a risk that 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.

We have considered where this risk specifically manifests itself and this is in the posting of investment valuation journals. This consideration is set out on the next page.

### What judgements we focused on?

The risk of management override at Hillingdon Pension Fund is mainly through the possibility that management could override controls and manipulate financial transactions which intend to adjust the Pension Fund's Fund Account or Net Asset Statement.

This could be done through manipulation of manual adjustments, including via manual journals, in the preparation of financial statements or through management bias in accounting estimates.

### Our response to the key areas of challenge and professional judgement

- We enquired of management about risks of fraud and the controls put in place to address those risks.
- We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- We considered the effectiveness of management's controls designed to address the risk of fraud.
- 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.
- We evaluated the business rationale for any significant unusual transactions.
- We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

### What are our conclusions?

Our procedures to address this risk are complete.

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 evidence of management bias in relation to accounting estimates.

Our journal testing did not identify any journal entries without a valid business purpose.

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

# Areas of Audit Focus

Misstatements due to fraud or error: Incorrect posting of investment valuation journals

## What is the risk?

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.

We have considered the key areas where management has the opportunity and incentive to specifically override controls that could affect the Pension Fund's Financial Statements. We have identified the main risk to be the incorrect posting investment valuation journals.

## What are the key judgement?

The posting of incorrect investment valuation journals at year end to the Pension Fund's general ledger would impact the performance and funding level of the Pension Fund's investment assets as reported in the Net Asset Statement.

## Our response to the key areas of challenge and professional judgement

- We performed a reconciliation to test the agreement of the Pension Fund's investment asset holdings as at 31 March 2023, including asset values, to source reports from the Pension Fund's custodian and individual fund managers.
- We tested any significant reconciling amounts between the investment asset valuations as reported in the Pension Fund's Net Asset Statement compared to the custodian's investment report as of 31 March 2023.

## What are our conclusions?

We have completed our procedures in relation to investment valuation journals.

We have not identified any indication of management override in relation to investment journals

Refer to Section 04 for more detail on audit differences.

# Areas of Audit Focus

## Valuation of complex investments (including level 3 investments)

### What is the risk?

The Fund's investments include unquoted investment vehicles such as private equity and pooled property funds. We have identified the valuation of these investments, which are classified as complex investments, as an area of specific risk.

Judgements are taken by the Fund Managers to value those investments whose prices are not publicly available. The material nature of the 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. These investment types made up 15% of the fund's total net assets as per the 2022/23 draft account. As these investments are more difficult to value, we have assessed the valuation of these investments as a significant risk, as even a small movement in the assumptions could have a material impact on the financial statements

### What judgements are we focused on?

Level 3 investment asset valuations, including the net asset values of each of the individual underlying investments funds. We also considered the potential changes in values where the date of valuation information where is not coterminous with the Pension Fund's year end date of 31 March 2023.

## Our response to the key areas of challenge and professional judgement

For a sample of Level 3 investments we:

- Reviewed the basis of valuation for property investments and other unquoted investments and assessed the appropriateness of the valuation methods used;
- Where available, reviewed the latest audited accounts for the relevant fund managers and ensured there are no matters arising that highlight material differences in the reported funds valuation within the financial statements;
- If the latest audited accounts are issued at a different date compared to the reporting date of the Pension Fund, we performed a roll forward procedures to support the valuation of the investments as of 31 March 2023. These included benchmark indexation for similar assets and analysis of cash movements in the gap period as well as gaining an understanding of what the Pension Fund has done to assess how the valuations are still materially correct as at 31 March 2023
- Performed analytical procedures and checked the valuation output for reasonableness against our own expectations;
- Obtained and reviewed internal control reports for fund managers to identify any internal control issues which could impact on valuations and assessed whether these would have an impact on the valuations provided by the fund managers;
- Reviewed investment valuation disclosures to verify that significant judgements supporting the valuation of level 3 investments have been disclosed in the Pension Fund's financial statements.

## What are our conclusions?

We have completed our audit procedures related to this risk.

We identified audit differences in the valuation of Level 3 investment assets. In total, these audit differences understate the Pension Fund's investment asset value by £2.7 million. These differences were identified based on more up to date valuation reports from the investment fund managers that were not available to the Pension Fund at the time of preparation the draft financial statements.

In addition, we identified a reclassification misstatement between Level 2 and Level 3 investment of £64,3 million.

We were satisfied that the Pension Fund's disclosures of significant judgements surrounding the valuation of Level 3 investments were appropriate

Refer to Section 04 for more detail on audit differences.

# Areas of Audit Focus (cont'd)

## IAS 26 disclosure - Actuarial present value of promised retirement benefits

### What is the risk/area of focus

The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £1,457 million as at 31 March 2023 (£1,965 million as at 31 March 2022).

The figure is subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based on a roll-forward of data from the previous triennial valuation in 2022, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.

There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2023.

### What did we do?

We have:

- ▶ Evaluated whether the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.
- ▶ Engaged EY Pensions to review the roll forward procedures associated with the IAS 19 reports for the London Borough of Hillingdon which makes up 84% of the total pension fund asset and supports the our IAS 26 disclosures work.
- ▶ Evaluated and placed reliance on EY Pension's and PwC's review of the underlying pension IAS19 assumptions used by the actuary, which also support the IAS26 figures.
- ▶ Assessed the competence of management experts, Hymans Robertson as the Pension Fund's actuary.
- ▶ Performed audit procedures to assess the accuracy of membership numbers provided to the actuary and included in the 31 March 2022 Triennial Report

We have not identified any issues from these procedures.



# 03 Audit Report

# Audit Report - draft

## Draft audit report

## Our opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HILLINGDON ON THE PENSION FUND'S FINANCIAL STATEMENTS - DRAFT

#### Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). 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 2022/23.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporate Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern to [insert date - at least 12 months from the date of the audit report].

Our responsibilities and the responsibilities of the Corporate Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

#### Other information

The other information comprises the information included in the Statement of Accounts 2022/23, other than the financial statements and our auditor's report thereon. The Corporate Director of Finance is responsible for the other information contained within the Statement of Accounts 2022/23.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

# Audit Report (cont'd)

Please note our opinion could be affected by items still pending as noted in section 1

## Our opinion on the financial statements

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### 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 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- 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 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

### Responsibility of the Corporate Director of Finance

As explained more fully in the Statement of Corporate Director of Finance's Responsibilities set out on page 50, the Corporate Director of Finance is responsible for the preparation of the Council'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 2022/23, and for being satisfied that they give a true and fair view.

The Corporate Director of Finance is also responsible for such internal control as the Corporate Director of Finance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director of Finance is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Corporate Director of Finance .

# Audit Report (cont'd)

Please note our opinion could be affected by items still pending as noted in section 1

## Our opinion on the financial statements

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquires of the management. We corroborated this through our reading of the Pension Board minutes, through enquiry of employees, and through the inspection of other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we tested the consistency of the investment asset valuations from the independent sources of the custodian and the fund managers to the financial statements.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience

expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the members of London Borough of Hillingdon, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) 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 London Borough of Hillingdon and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Luton  
Date





# 04 Audit Differences

# Audit Differences (cont'd)

## Summary of audit differences

We have detailed in this section the identified audit differences which has been adjusted by management

Identified audit differences 31 March 2023 (£'000)	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Fund Account Debit/(Credit)	Assets current Debit/ (Credit)	Assets non-current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)
<b>Errors</b>						
<b>Known differences:</b>						
▶ <b>Investment assets:</b> Understatement of level 3 investment valuation due to timing difference compared to investment fund manager reports		(2,684)		2,684		
▶ <b>Investment income:</b> Recognition of investment income incorrectly accounted for as a profit on loss on disposal of investment		4,285				
▶ <b>Profit and losses on disposal of investments and changes in market value of investments</b> as noted above		(4,285)				
<b>Overall financial statement impact:</b>		(2,684)		2,684		
<b>Disclosure misstatements</b>						
<b>Note 14: Fair value investment disclosures;</b>						
Misclassification of £0.985 million relating to level 2 assets (Nuveen Retail Warehouse Fund) which should be classified as level 3.						
Misclassification of £63.290 million relating to level 2 assets (AEW UK Core Property Fund Plus) which should be classified as level 3.						
<b>Note 14:</b> Realised loss of £4.333 million relating to private equity was incorrectly accounted for as an unrealised loss						
Membership disclosure						



05

## Other Reporting Issues

# Other Reporting Issues

## Consistency of other information published with the financial statements

We must give an opinion on whether other information published in the Pension Fund Annual Report together with the audited financial statements is consistent with the financial statements. We have no inconsistencies to draw to your attention.

In addition, we also perform procedures to ensure the consistency of the Pension Fund accounts with the version presented in the full Annual Statement of Accounts of the London Borough of Hillingdon. We have no inconsistencies to draw to your attention.

## 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 Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We had no reason to exercise these duties in relation to Hillingdon Pension Fund.

## Other matters

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

We have undertaken additional testing this year to provide assurance on the Pension Fund membership data that was submitted to the actuary for the 31 March 2022 triennial valuation of the Pension Fund. In total, we sample tested 25 member records, checking information back to source evidence to verify the data points contained in the Pension Fund's membership system were accurate.

Based on the testing performed we are satisfied that:

- The control environment and quality of membership data is satisfactory based on the testing we performed.
- We have only identified one actual data point error out of 25 items tested as part of work (where we could not confirm the date of birth to external evidence)
- Where complete evidence could not be provided, we are satisfied that further compensatory checks have been undertaken by the actuary and it would not be reasonable to conclude that the data point could not be supported.

We are only required to conduct procedures on the triennial membership submission once every three years. Therefore, there is an additional fee this year for completion of these procedures. This is set out in Section 07 of this report.

# Other Reporting Issues

## Other matters (Continued)

There have been delays in the completion of the audit this year due to issues with the reconciliation of membership numbers, mainly related to the processes related to the clearing of the historical backlog. This impacted the audit of membership contributions, as the difference between our expectation and the amount recorded in the Pension Fund accounts exceeded our allowable threshold. We performed additional testing on the unprocessed leavers which resulted in the reclassification of members from active to deferred. Management have correctly updated the disclosure for membership numbers. There will be an additional audit fee associated with the additional time it has taken the audit team to progress the audit as the result of these issues. This additional audit fee is set out in Section 07 of this report.

Except for our observations on the control environment, as set out in Section 06 of this report, we have no other matters to report.

# Other Reporting Issues

## ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 revised is effective from financial year 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk assessment
- Understanding the entity's internal control
- Significant risks
- Approach to addressing significant risk (in combination with ISA 330)

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
  - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
  - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

### Audit Procedures

We obtained an understanding of the IT processes related to the IT applications of the Fund. The Fund has two relevant IT applications for the purposes of ISA 315 risk assessment.

We performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.

When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls, where we do not gain assurance substantively, we performed additional procedures to assess:

- Manage entity-programmed changes IT process
- Manage vendor supplied changes
- Manage security settings
- Manage user access
- Job scheduling and managing IT process.

### Audit findings and conclusions

Our work in this area is complete. Based on the procedures performed, no significant issues were identified in our review of the various processes, including the design and implementation effectiveness of relevant controls around the financial statement close process.

We have not tested the operation of any controls through this review.



06

# Assessment of Control Environment

# Assessment of Control Environment

## Financial controls

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. 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.




During the course of the audit we have identified three areas of weakness in relation to the Pension Fund's control environment. We have summarised these weakness and associated recommendations (along with the risk rating) below:

- 1) Weakness in the review controls with regards to the disclosure of membership numbers in relation to the capturing of information related to the backlog of unprocessed records. (Moderate). *Recommendations*
  - Management should review the membership numbers provided by the administrator for reasonableness in comparison to prior year.
  - Management should ensure the correct categorisation of members captured in the current year relating to the backlog of unprocessed records.
  - As part of management's quality review process for the preparation of the financial statements, management should review the relationship between the movement in membership numbers and contributions and have supporting working papers explaining where there are disparities.
- 2) Weakness in the identification and documentation of observable and unobservable inputs used in valuations of level 2 and Level 3 investments. This was also reported in the prior year. (Moderate) *Recommendations*
  - Management should strengthen controls around the identification and of observable and unobservable inputs used in valuations. This would minimise the risk of such audit findings in the future.
- 3) Weaknesses in the procedures in place for the Pension Fund to obtain declarations of interests from Members of the Pensions Committee and the Audit Committee. (Low) *Recommendations*
  - Management should review the processes it has in place to obtain declarations of interest from members.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2022/23 audit.

	High	Moderate	Low	Total
Open at beginning of 2022/23	0	1	0	1
New points raised in 2022/23	0	1	1	2
<b>Total open recommendations</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>3</b>

### Key:

-  A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
-  Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
-  Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.





07

# Independence

# Independence, Relationships, services, related threats and safeguards

## Confirmation

We are not aware of any inconsistencies between Ernst & Young (EY)'s policy for the supply of non-audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised, and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers, managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

## Relationships

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Fund, its members 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 1 April 2022 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2024

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 28 June 2024: and can be found here: [EY UK 2024 Transparency Report](#).

# Independence, Relationships, services, related threats and safeguards

## Services provided by Ernst & Young

There are no services provided by EY from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

The table includes a summary of the fees due to EY in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided, and the related threats and safeguards are included below.

We highlight in the table below the most significant services that may be reasonably considered to bear upon our integrity, objectivity and independence.

	Current Year 2022/23	Current Year 2022/23	Prior Year 2021/22
	Proposed fee £	Planned fee £	Proposed fee £
Scale Fee - Code work	24,954	24,954	16,170
Additional fees for changes in work required to address professional and regulatory requirements and scope associated with risk and specific in year risks - Note 1	30,000 to 40,000	8,784	29,322
Additional fee for the provision of IAS19 assurance letters (2021/22) - Note 2	NA	N/A	6,000
Additional fee with respect to testing of triennial membership data submissions - Note 3	8,700	5,500	0
<b>Total fees</b>	<b>63,654 to £73,654</b>	<b>39,238</b>	<b>51,492</b>

# Independence, Relationships, services, related threats and safeguards

**Note 1** - We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise. For 2021/22 and 2022/23, we have therefore proposed increases to the scale fee to take into account a number of risk factors including: Procedures performed to address the risk profile of the Pension Fund; Additional work to address increase in Regulatory Standards; Client readiness and IT support for data analytics.

For 2022/23 PSAA have increased the base scale fee, but in our view, this still does not fully cover the additional work required and we will therefore be submitting a further proposed increase for 2022/23 for determination by PSAA. The fee variation (excluding the fee for IAS19 assurances) for 2021/22 has been determined by PSAA as £29,322. For reference, the scale fee for the 2023/24 Hillingdon Pension Fund audit, as set by PSAA under the new local government sector audit contract, is £81,688.

The proposed additional fee range for 2022/23, includes additional procedures in relation to the following areas:

- additional testing of level 3 investment valuations,
- review by EY Pensions team to support procedures performed on the IAS 26 (actuarial present value of promised retirement benefits) disclosure
- Additional work by EY Pensions on the roll forward estimate of the net pension liability for 2022/23. We leverage this work, which is normally undertaken as part of the Council audit, to gain assurance over the IAS 26 processes and resulting disclosures.
- Going concern assessment and disclosures,
- Work to meet the requirements of the revised auditing standard ISA 540 (going concern) and ISA 240 (fraud assessment)
- Additional work to meet the requirements of ISA 315 (audit risk assessment, including IT risks). We have to perform additional risk assessment procedures to understand the Pension Fund's use of IT applications and controls. The estimated fee for this work is between £4,000 and £6,000
- Inefficiencies in the execution of the audit due to incorrect membership numbers,
- Additional audit procedures on investment disclosures as the result of identified audit differences

As the 2022/23 audit is not yet fully concluded, we are not yet able to confirm the final fee for the specific additional procedures and identified risk areas as noted above. Our estimated additional fee with respect to the above areas is between £30,000 and £40,000. The final audit fee will be submitted to management and determined by PSAA.

**Note 2** - We planned to charge an additional fee of to take into account the work required to respond to IAS19 assurance requests from admitted body auditors for 2021/22. As the audit of the London Borough of Hillingdon for 2022/23 is not being undertaken, we have not been asked to provide similar assurances for 2022/23.

**Note 3** - We will charge an additional fee of £8,700 with respect to detailed testing of the triennial membership submission to the actuary. We perform this testing on a triennial basis based on when the actuary conducts a full valuation of the Pension Fund. This work supports the assurance we need to obtain in relation to the IAS26 disclosures in the pension fund accounts, as well as any IAS19 assurance letters. The fee for this will be finalised now the work is complete. We expect the final fee to be higher than planned due to additional work we have had to undertake in this area. Fees for the membership testing are not subject to determination by PSAA.



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## Appendices

# Appendix A - Required communications with the Audit Committee

## Required communications with the Audit Committee

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

Required communications	What is reported?	Our Reporting to you
		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 7 November 2023
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report 7 November 2023
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit planning report 7 November 2023

# Appendix A - Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
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 related to going concern</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The appropriateness of related disclosures in the financial statements</li> </ul>	<p>Provisional Audit results report - 19 April 2024 Final Audit Results Report - November 2024</p>
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	<p>Provisional Audit results report - 19 April 2024 Final Audit Results Report - 12 November 2024</p>

# Appendix A - Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have 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>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	<p>Provisional Audit results report - 19 April 2024</p> <p>Final Audit Results Report - 12 November 2024</p>
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when 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 regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	<p>Provisional Audit results report - 19 April 2024</p> <p>Final Audit Results Report - 12 November 2024</p>



# Appendix A - Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of 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 about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	<p>Audit planning report 7 November 2023 and Provisional Audit results report - 19 April 2024</p> <p>Final Audit Results Report - 12 November 2024</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations

# Appendix A - Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ 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</li> <li>▶ 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</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
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>	Provisional Audit results report - 19 April 2024 Final Audit Results Report - 12 November 2024
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Provisional Audit results report - 19 April 2024 Final Audit Results Report - 12 November 2024
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Provisional Audit results report - 19 April 2024 Final Audit Results Report - 12 November 2024
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Provisional Audit results report - 19 April 2024 Final Audit Results Report - 12 November 2024

# Appendix B – Management representation letter

## Management representation letter

The management representation letter as shown below is draft and may be subject to change

## Management Rep Letter

**Debbie Hanson**  
**Ernst & Young**  
**400 Capability Green**  
Luton  
LU1 3LU

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 2023. 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 period from 1 April 2022 to 31 March 2023, and of the amount and disposition at that date of its assets and liabilities as at 31 March 2023, other than liabilities to pay pensions and benefits after the end of the year, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We understand that the purpose of your audit of the Fund’s financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK) , 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.

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 applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and for keeping records in respect of contributions received in respect of active members of the Fund.
2. We confirm that the Fund is a Registered Pension Fund. We are not aware of any reason why the tax status of the Fund should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements and the Summary of Contributions. We believe the financial statements referred to above give a true and fair view of the financial transactions and the financial position of the Fund in accordance with the applicable law and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, 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 applicable law and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that are

# Appendix B – Management representation letter

## Management representation letter

### Management Rep Letter

free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.

6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

#### **B. Non-compliance with laws and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. 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.

4. 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.
5. There have been no other communications with the Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.
6. We confirm that we are not aware of any breaches of the Payment Schedule/Schedule of Contributions or any other matters that have arisen which we considered reporting to the Pensions Regulator.
7. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - Involving financial improprieties
  - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
  - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund's business, its ability to continue in business, or to avoid material penalties
  - Involving management, or employees who have significant roles in internal control, or others
  - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

# Appendix B – Management representation letter

## Management representation letter

### Management Rep Letter

#### C. 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. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: *[list date]*
5. 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 period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We confirm the completeness of information provided regarding annuities held in the name of the members of management of the Fund.
7. 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.
8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
9. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

# Appendix B – Management representation letter

## Management representation letter

### Management Rep Letter

10. From 27 September 2023 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

#### **D. 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, and have disclosed in Note 23 to the financial statements all guarantees that we have given to third parties.

#### **E. Going Concern**

1. Note 19 to the financial statements discloses all the matters of which we are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the

feasibility of those plans. We do not intend to wind up the Fund. We are satisfied that the use of the going concern basis of accounting is appropriate in the preparation and presentation of the financial statements.

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

1. There have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

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

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the statement of accounts 22/23, other than the financial statements, the auditor's report and the statement about contributions.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### **H. Independence**

1. As members of management of the Fund, we are not aware of any matters which would render Ernst & Young LLP ineligible to act as auditor to the Fund.

# Appendix B – Management representation letter

## Management representation letter

### Management Rep Letter

#### I. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.

#### J. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS (Management and Investment of Funds) Regulations 2016 in respect of these investments has been followed.

#### K. Actuarial valuation

The latest report of the actuary Hyman Robertson as at 31 March 2023 and dated 15 September 2023 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.

#### L. Estimates

##### Level 3 Investment Asset Valuation Estimate and Actuarial Present Value of Promised Retirement Benefits Estimate

1. We confirm that the significant judgments made in making the level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits estimate.
3. We confirm that the significant assumptions used in making the level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits estimate appropriately reflect our intent and ability to continue to maintain the pension fund investments for the purpose of management of the fund and payment of future benefits on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 22/23.
5. We confirm that appropriate specialized skills or expertise has been applied in making the level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits estimate.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

# Appendix B – Management representation letter

## Management representation letter

### Management Rep Letter

#### M. Use of the Work of a Specialist

1. We agree with the findings of the specialist, Hymans Robertson as the Pension Fund's actuary, that we have engaged to value fund assets and liabilities 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.

#### N. Climate-Related Matters

1. Whilst recognising that the Climate Change Governance and Reporting Regulations do not cover the Local Government Pension Scheme, we confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of United Kingdom Generally Accepted Accounting Practice aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

\_\_\_\_\_  
S151 Officer & Audit Committee Chair

Date



## EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

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