

Hillingdon Pension Fund Audit Results Report

Year ended 31 March 2024

17 January 2025





Audit Committee
London Borough of
Hillingdon
Uxbridge
UB8 1UW

17 January 2025

Dear Committee Members

2023/24 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Committee at its meeting scheduled for 11 February 2025 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2023/24 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 and Audit Committee, Board of Directors 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 11 February 2025.

Yours faithfully

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/audit-quality/statement-of-responsibilities/>). 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 (updated 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 Hillingdon Pension Fund in accordance with the statement of responsibilities. 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 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 Outline Audit Planning Report presented to the 30 April 2024 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We have carried out our audit in accordance with this plan, with the following exception:

- ▶ Changes in materiality - in our Outline Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £11.8 million which represents 1% of net assets in the 2022/23 draft statement of accounts. Following the publication of the draft statement of accounts for 2023/24, we have revised the materiality level based on net assets in this updated period of £1,358 million. This results in updated materiality of £13.58 million, performance materiality of £10.18 million and threshold for reporting misstatements of £679K.

Status of the audit

Our audit work in respect of the Pension Fund financial statements and our opinion is substantially completed. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Conclusion procedures including; final review of Annual Report and Accounts; update of our subsequent events procedures to the date of our opinion; and receipt of a signed accounts and letter of representation.

Audit differences

We have identified the following audit differences, which have been adjusted by management:

- ▶ Understatement of investment asset valuations in the financial statements of £4.1 million, due to the provision of more up to date valuations subsequent to the production of the financial statements.
- ▶ A misstatement between investment income and profit and loss on disposal of investments and changes in market value of £3.4 million. This was mainly due 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, but we note that the same error occurred in 2022/23;
- ▶ A new investment of £19.2 million with Blackstone was incorrectly disclosed as Level 2 but, due to unobservable inputs, should have been Level 3;
- ▶ 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 Outline Audit Planning Report we identified a number of key areas of focus for our audit of the financial statements of the Pension Fund. This report sets out our observations and status 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 Risk	Findings & Conclusions
<p>Misstatements due to fraud or error</p>	<p>We carried out procedures to address fraud risks as set out in our Audit Plan, including testing journal entries and considering estimates for evidence of management bias. Using data analytics is central to our approach.</p> <p>We also performed a reconciliation between the financial statements, the fund manager reports and the custodian reports to address the risk of manipulation of investment income.</p> <p>As part of our investment income testing, we found an understatement of investment income of £3.4 million, as one distribution reinvested by the LCIV MAC fund was not identified by the custodian. As a result, this income was incorrectly recorded in the Pension Fund's accounts. We noted a misstatement of income from the same fund manager and same investment in the prior year. Given that this issue has recurred, management should have exercised greater diligence in their preparation of the financial statements, as they were already aware of the possibility of reinvestment of this investment income by this fund manager. We are satisfied that this misstatement was a result of error and not an indication of management override or fraud.</p> <p>We have noted no other significant matters to bring to your attention.</p>
Significant risk	Findings & Conclusions
<p>Valuation of Level 3 investments</p>	<p>We carried out procedures as set out in our Audit Plan to ensure that these investment valuations are supported and that estimation processes, including assumptions made, are materially accurate.</p> <p>We have completed our work in this area and identified audit differences in the valuation of Level 3 investment assets of 4.1 million. These differences were due to more up-to-date valuation reports from the investment fund managers that were not available to the Pension Fund at the time of preparation of the draft financial statements.</p> <p>We have no other significant matters to bring to your attention.</p>
<p>Classification of Level 2 and Level 3 investments</p>	<p>We carried out procedures as set out in our Audit Plan to ensure that the assessment of investments as Level 2 or Level 3 are in line with the Fair Value hierarchy.</p> <p>Our work in this area identified an error in the classification of investments between Level 2 and Level 3 of £19.2 million. This was a new investment in 2023/24 and had been incorrectly classified as Level 2 when, as there were no observable inputs, it should have been classified as Level 3. We recommend that greater diligence is applied in the classification of fair value hierarchies to minimize the risk of such audit findings in the future.</p>

Executive Summary (cont'd)

Areas of audit focus

Area of audit focus / Inherent risk

IAS 26 - Actuarial present value of promised retirement benefits

Findings & Conclusions

We carried out procedures as set out in our Audit Plan to gain assurance over the IAS 26 actuarial statement and the associated disclosure of the actuarial present value of promised retirement benefits as a note to the accounts.

We have completed our work in this area and have no significant 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:

- As noted above, as part of our investment income testing, we have found an understatement of investment income of £3.4 million, as one distribution reinvested by the LCIV MAC fund was not identified by the custodian. As a result, this was not correctly recorded in the Pension Fund's accounts. We noted the same misstatement in the prior year with the same fund manager and the same investment. Given that this issue has recurred, management should have exercised greater diligence in the preparation of the financial statements, as they were already aware of the possibility of reinvestment of investment income by this fund manager.
- Our audit of fair value hierarchies of the Pension Fund's assets which are measured at fair value identified an error in classification of investments in Level 2 which should have been Level 3 of £19.23 million. Although there is an element of judgment in the fair value hierarchy classification, strengthening controls around the identification and documentation of observable and unobservable inputs used in valuations would minimise the risk of such errors and audit findings in the future.

Further detail on control observations is included in Section 05

Independence

Please refer to Section 07 for our update on Independence. We have no issues we need to bring to your attention subject to completion of our audit procedures.



02

Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud or error

Fraud Risk

What is the risk, and the key judgements and estimates?

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) 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 identified the risk of manipulation of investment income as the most likely way that management would seek to override controls.

Our response to the key areas of challenge and professional judgement

We undertook our standard procedures to address fraud risk, which included:

- 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.

We have also:

- ▶ Undertaken a review of reconciliations of the financial statements to the fund manager and custodian reports and investigated any reconciling differences;
- ▶ For investment income, we agreed the reconciliation between fund managers and custodians back to the source reports, which included evidencing the investment income achieved;
- ▶ Re-performed the detailed investment note using the reports we have acquired directly from the custodian or fund managers; and
- ▶ Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports.

What are our conclusions

We have not identified any evidence of management override generally or in relation to investment income journals.

We have noted an error regarding the recording of investment income - an understatement of investment income of £3.4 million- as a result of one distribution being reinvested by the LCIV MAC fund not identified by the custodian. As a result, this was not correctly recorded in the Pension Fund's accounts. We are satisfied this was a result of error and was not an indication of management override or fraud.

Areas of Audit Focus

Valuation of complex investments (including level 3 investments)

Significant Risk

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. 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

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 2024. 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 2024;
- 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 4.1 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 of the draft financial statements.

Refer to Section 04 for more detail on audit differences.

Areas of Audit Focus (cont'd)

Classification of level 2 and level 3 investments

Significant risk

What is the risk, and the key judgements and estimates?

The classification of investments using the fair value hierarchy requires the accurate identification of observable and unobservable inputs and requires a high level of professional judgement.

The assessment of Fair Value hierarchies can be subjective and includes an element of judgement. There have been reclassifications in the fair value hierarchies of the pension fund assets as a result of the audit in the last two years. In 2022/23, the reclassification was £64 million from Level 2 to Level 3 and in 2021/22 it was £47.8 million. We have, as a result, raised this from an inherent risk to a significant risk.

Our response to the key areas of challenge and professional judgement

We :

- ▶ Gained an understanding of the Pension Fund's approach to classification and the nature of its investments and worked with the Pension Fund to agree the proposed classifications early in the audit process;
- ▶ Assessed the significance of market inputs used in the hierarchy valuation as well as the sources of the inputs;
- ▶ Confirmed the basis of the valuation of each class of investment asset and assessed whether it is appropriate;
- ▶ Obtained quoted prices directly from independent sources and compared these with the Pension Fund's assessment of observable market inputs (bid market price, current yields, and closing bid price) to confirm correct classification;
- ▶ Tested that accounting entries related to valuation have been correctly processed in the financial statements.

What are our conclusions

We have completed our work on Level 2 and Level 3 asset classification. We have noted an error around the fair value classification of one investment of £19.2 million. This investment (in Blackstone) was a new investment made during the year and the client was already aware that this investment should be classified as Level 3. Nevertheless, they erroneously classified it as Level 2 in the first version of the statement of accounts. Therefore, we consider that this misstatement was not due to a lack of judgment but rather a lack of due diligence in the preparation of the accounts.

Areas of Audit Focus (cont'd)

IAS 26 – Actuarial present value of promised retirement benefits

Inherent risk

What is the risk, and the key judgements and estimates?

We consider the valuation of IAS 26 to be of a higher degree of inherent risk because of the level of estimation uncertainty resulting from the calculation using a number of underlying assumptions. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables. While IAS 26 does not inform the primary statements, there is stakeholder interest in this disclosure due to its nature.

Our response to the key areas of challenge and professional judgement

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 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.

What are our conclusions

We have completed our work on IAS 26 disclosures and our mandatory procedures on management and auditor specialists.

We identified some discrepancies between the disclosures and the Actuary's report. These have been corrected by Management.



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

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2024 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 2023/24.

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 2024 and the amount and disposition at that date of its assets and liabilities as at 31 March 2024 and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

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 for a period to 31 March 2026.

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 2023/24, 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 2023/24.

Audit Report (cont'd)

Our opinion on the financial statements

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.

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 Responsibilities set out on page 1, 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 2023/24, 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 determines 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.

Audit Report (cont'd)

Our opinion on the 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.

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 enquiries of the management. We corroborated this through our reading of the Pension Board minutes and 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.

- 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 investment income valuation 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 and 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.

Audit Report (cont'd)

Our opinion on the financial statements

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



04 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

Identified audit differences 31 March 2024 (£'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)

Errors

Known differences:

▶ Investment assets: Understatement of level 3 investment valuation due to timing difference compared to investment fund manager reports		(4,111)		4,111		
▶ Investment income: Recognition of investment income incorrectly accounted for as a profit on loss on disposal of investment		(3,384)				
▶ Profit and losses on disposal of investments and changes in market value of investments		3,384				
Overall financial statement impact:		(4,111)		4,111		

Disclosure misstatements

Note 14: Fair value investment disclosures;

Misclassification of £19.2 million relating to level 2 assets (Blackstone) which should be classified as level 3.

We identified some other disclosure misstatements which have been corrected by management.



05

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 controls 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 two 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 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)
Recommendation
 - *Management should strengthen controls around the identification and of observable and unobservable inputs used in valuations. This would minimise the risk of such errors and audit findings in the future.*
- 2) Weaknesses in the procedures in place for the Pension Fund to identify the income reinvested by fund managers not identified by the custodian. (Moderate)
Recommendation
 - *Management should exercise diligence when recognizing the investment income from fund managers who have the practice of reinvesting the income distribution*

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2023/24 audit.

	High	Moderate	Low	Total
Open at beginning of 2023/24	0	1	0	1
New points raised in 2023/24	0	1	0	1
Total open recommendations	0	2	0	2

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.



06

Other Reporting Issues

Other Reporting Issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Pension Fund Statement of Accounts 2023/24 with the audited financial statements

Please refer to section 'Status of Audit' in Executive Summary section. Our final review of the Annual Report is still pending, but we have no matters to report in respect of consistency of this information at this stage.

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.

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 Authority's financial reporting process. We have no other matters to report.

Other Reporting Issues (cont'd)

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

ISA 315 is effective from FY 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 risk
- 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 performed the following 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.
- We reviewed the following processes for all five relevant IT applications:
 - Manage vendor supplied changes
 - Manage security settings
 - Manage user access
 - Manage entity-programmed changes
 - Job scheduling and managing IT process

Audit findings and conclusions

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.



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 2023 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 2023 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 2023/24	Current Year 2023/24	Prior Year 2022/23
	Proposed fee £	Planned fee £	Proposed fee £
Scale Fee - Code work	81,688	81,688	24,954
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	5,000	TBC	TBC
Additional fee with respect to testing of triennial membership data submissions	NA	NA	8,700
Total fees	TBC	TBC	TBC

Note 1 - We have identified a number of in year risks in our Audit Plan which will required additional work and fee. ISA 315 work will result in an additional fee as this is not currently reflected in the PSAA scale fee. Our current estimate for this is £5,000. The final fee for 2022/23 has yet to be determined by PSAA.



08

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.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>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.</p>	Audit Planning Report, April 2024
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 	This Audit results report, Feb 2025 meeting of the Audit Committee.

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"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	This Audit results report, Feb 2025 meeting of the Audit Committee.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	This Audit results report, Feb 2025 meeting of the Audit Committee.
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 entity ▶ 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 entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. 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 ▶ 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 ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	This Audit results report, Feb 2025 meeting of the Audit Committee.

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

Our Reporting to you

Required communications	What is reported?	When and where
Fraud (cont.)	<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 entity ▶ 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 entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. 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 ▶ 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 ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	This Audit results report, Feb 2025 meeting of the Audit Committee.
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"> ▶ 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 entity 	This Audit results report, Feb 2025 meeting of the Audit Committee.

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, integrity, 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"> ▶ 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 <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report, April 2024.</p> <p>This Audit results report, Feb 2025 meeting of the Audit Committee.</p>
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. 	<p>We have received all requested confirmations.</p>
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 	<p>We have not identified any material instances or non compliance with laws and regulations.</p>

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

Our Reporting to you

Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	This Audit results report, Feb 2025 meeting of the Audit Committee.
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 	This Audit results report, Feb 2025 meeting of the Audit Committee.
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 	This Audit results report, Feb 2025 meeting of the Audit Committee.
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	This Audit results report, Feb 2025 meeting of the Audit Committee.

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 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2024, and of the amount and disposition at that date of its assets and liabilities, 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 2023/24

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 2023/24 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 applicable law the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and are free of material misstatements, including omissions. We have approved the financial statements.

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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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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 a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
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 non-compliance 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. 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

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Management Rep Letter

- 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.

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 are reflected in the financial statements.

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 2023-24 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. 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 2023/24.
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 year or subsequently.

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Management Rep Letter

9. From the date of our last management representation letter 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. No guarantees have been given to third parties.

E. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Pension Fund Annual Report and London Borough of Hillingdon Statement of Accounts, 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.

G. Advisory Reports

We have not commissioned any advisory reports which may affect the conduct of your work in relation to the Fund's financial statements and schedule of contributions/payment schedule.

H. Independence

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

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Management Rep Letter

I. Derivative Financial Instruments and Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that the Fund has made no direct investment in derivative financial instruments.
2. 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.

J. Actuarial valuation

The latest report of the actuary Hymans Robertson as [at 31 March 2022 and dated 30 March 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.

K. Estimates Level 3 Investment Asset Valuation and Actuarial Present Value of Promised Retirement Benefits Estimate

We confirm that the significant judgments made in making the Level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits have [taken into account](#) all relevant information of which we are aware.

4. 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.
 2. We confirm that the significant assumptions used in making the Level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits 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.
 3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
 4. 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
- We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements

L. Use of the Work of a Specialist

We agree with the findings of the specialists that we have engaged to value actuarial present value of promised retirement benefits and have adequately

Appendix B – Management representation letter

Management representation letter

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Management Rep Letter

disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Going Concern

Based on our assessment of going concern, the details of which have been shared with you, we confirm that we are not aware of any material uncertainties related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. 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.

Note 19 to the financial statements discloses all of 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.

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,

S.151 Officer and 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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Ernst & Young LLP

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UKC-024050 (UK) 07/22. Creative UK.

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