

## London Borough of Hillingdon

### Report to the Pension Committee and Audit Committee on the 2010/11 Local Government Pension Fund Audit

September 2011

Audit Committee 28 September 2011  
PART 1 – MEMBERS, PUBLIC & PRESS

# Contents

Executive summary	1
1. Key audit risks	3
2. Accounting and internal control systems	9
3. Current Accounting and Regulatory Issues	10
4. Other matters for communication	12
5. Responsibility statement	13
Appendix 1: Draft representation letter	14

# Executive summary

We have pleasure in setting out in this document our report to the Pension and Audit Committee's of the London Borough of Hillingdon for the year ended 31 March 2011 for discussion at the committee meetings scheduled for 20 September 2011 and 21 September 2011 respectively. This report summarises the principal matters that have arisen from our audit for the year ended 31 March 2011.

This summary is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention. It should, therefore, be read in conjunction with the report and the appendices thereto.

## Description

### Key findings on audit risks and other matters

**We have concluded satisfactorily on each of the key audit risks identified in our audit plan. We did not identify any additional risks in the course of our work.**

We discuss within Section 1 the results of our work in relation to key audit risks which have been identified as being significant to the 2010/11 accounts, and which were presented to the Audit Committee in February 2011 as follows:

#### Key risks

1. **Contributions:** The risk surrounding identification, calculation and payment of contributions, due to the complexities surrounding admitted bodies, has been addressed through our testing. No issues were noted with the exception of an incorrect classification of the contributions between employer deficit and employer normal contributions. As such an adjustment was posted decreasing deficit contributions and increasing normal contributions by £2 million;
2. **Benefits:** Complexities in the calculation of both benefits in retirement and ill health and death benefits have been reviewed during our testing with no issues identified;
3. **Investments:** The unquoted investments have been agreed to independent returns from the investment managers. We identified that in one case the value of the private equity fund for LGT from the February was used. An adjustment was posted amounting to £467,000 for the movement in valuation to 31 March 2011.

We also identified that some of the private equity funds audited financial statements included an emphasis of matter paragraph indicating the uncertainties over valuation of equities in illiquid markets. We have held discussions with the managers of these funds to ensure that the valuation techniques represent the most accurate fair value of the equities;

4. **Accounting for International Financial Reporting Standards ('IFRS'):** management have elected to disclose the actuarial liability following the requirements in Option B, which allows for the actuarial liability to be disclosed separately but does not require it to be recognised. The note to the financial statement on the actuarial liability of the Fund as at 31 March 2011 complies with the requirements of the Code;

#### Other areas

**Management Override of Controls:** all testing was completed with satisfactory results; and

**Revenue recognition:** work performed in the current year has indicated that the rebuttal of revenue recognition risk is still considered appropriate.

# Executive summary (continued)

Audit status	
<p><b>Subject to the clearance of final points, we expect to issue an unmodified audit opinion on the financial statements.</b></p>	<p>We are satisfied that the status of the audit is as expected at this stage of the timetable agreed in our audit plan.</p> <p>We have substantially completed our audit in accordance with our Audit Plan which was presented to you prior to the commencement of the audit subject to the satisfactory completion of the matters set out below:</p> <ul style="list-style-type: none"> <li>• receipt of signed management representation letter (see appendix 1); and</li> <li>• update of post balance sheet event review.</li> </ul> <p>We will report to you verbally in respect of any modifications to the findings or opinions contained in this report that arise on completion of these matters.</p> <p>At the date of this report and subject to the satisfactory completion of the outstanding matters referred to above, there are no matters in relation to the Local Government Pension Fund information that would result in the issuance of a modified audit opinion.</p>
Identified misstatements	
<p><b>No uncorrected misstatements</b></p>	<p>Audit materiality was set at £7.8m (2009/10 £6.0m), which is consistent with that of the local government audit.</p> <p>This is slightly higher than set out in the planning meeting report, however we continue to report all unadjusted misstatements greater than £0.4m (2% of materiality) to the Audit and Pension Committees.</p> <p>There are no identified uncorrected misstatements above this level, and no qualitatively material misstatements that we wish to bring to your attention.</p>
Accounting and internal control systems	
<p><b>Review of underlying private equity funds</b></p>	<p>During the audit we identified one area for improvement in relation to the internal control system. This improvement related to the review of the underlying private equity funds.</p> <p>Further detail on the area for improvement in the internal control system is included in Section 2 of the report.</p>
Current accounting and regulatory issues	
<p><b>Summary of issues</b></p>	<p>On 2 June the Audit Commission announced proposals that the audits currently undertaken by their in-house practice should be outsourced to the private sector for the year ended 31 March 2013 onwards.</p> <p>Audits already outsourced, like this Council, are unaffected by this announcement.</p> <p>Consultation on the proposals for the new audit framework (where “audit quality is regulated within a statutory framework, overseen by the National Audit Office and the accountancy profession and where local public bodies will be free to appoint their own external auditors with stringent safeguards for independence”) closed on 30 June 2011 when proposals will be published in a draft bill to allow full Parliamentary scrutiny.</p> <p>We have included within this report accounting and regulatory issues that affect the pension fund industry, particularly focus areas of the Pensions Regulator (TPR). Although the London Borough of Hillingdon is not regulated by TPR these are guidelines for improving process and represent best practice in the industry.</p>

# 1. Key audit risks

The results of our audit work on key audit risks are set out below:

## Contributions

### Audit risk

Unlike the positions in the private sector, we are not required to issue a separate statement on contributions for the Fund. Nevertheless, in view of the complexity arising from the participation of different employers within the Fund, we have included the identification, calculation and payment of contributions as an area of significant risk.

### Deloitte response

We have performed the following testing to address the significant risks around contributions:

- reviewed the design and implementation of controls present at the Fund for ensuring contributions from all Scheduled and Admitted bodies are identified and calculated correctly;
- we have received from officers an analysis of contribution rates by employer and signed monthly statements from each Scheduled and Admitted body;
- we performed tests of details to test whether each material income stream was calculated in accordance with the actuarial valuation and schedule of rates; and
- we developed an expectation based on changes in membership numbers and changes in contribution rates to analytically review the contributions received in the year, the results of which fell within our tolerance level.

It was noted that an incorrect allocation of the contributions was being disclosed in the fund account. As such £2.0 million was re-allocated from deficit funding to employer normal contributions. All other testing was completed with satisfactory results.

# 1. Key audit risks (continued)

Benefits	
<b>Audit risk</b>	<p>Changes were made to the Fund from April 2008 which introduced complexities into the calculation of both benefits in retirement and ill health and death benefits which are in addition to the annual increases required by the 1997 Regulation and Pension (Increases) Act 1971.</p> <p>On 8 July 2010 the Government announced its intention to move to the Consumer Price Index (CPI) as the measure of inflation for pension increase purpose. This change will come into effect for the 2011 increases.</p>
<b>Deloitte response</b>	<p>The following tests were performed to address the significant risk around benefits:</p> <ul style="list-style-type: none"><li>• we reviewed the design and implementation of controls present at the Fund for ensuring the accuracy, completeness and validity of benefits through discussion with the pensions team and testing to controls were in force during the year under review;</li><li>• we obtained a schedule of benefits paid and supporting calculations and tested whether benefits paid were in accordance with the appropriate rules;</li><li>• we performed tests of detail, on a sample of benefits paid, by agreement to supporting documentation, to test whether benefits were in all material respects correctly calculated, by reference to their qualifying service, Fund rules and benefit choices made; and</li><li>• we developed an expectation based on changes in membership numbers and pension increases to analytically review the benefits paid in the year.</li></ul> <p>All testing was completed with satisfactory results.</p>

---

# 1. Key audit risks (continued)

## Investments

### Audit risk

The Fund makes some use of investments in unquoted investments vehicles, such as private equity houses.

Although these funds are normally subject to external audit, up to date audited accounts were not available at the time that the pension fund accounts were compiled and audited. In such cases, year end fair values of investments in such funds will need to be estimated on the basis of unaudited information. In addition, market volatility raises questions about how to value these investments. It would normally be expected that the reasonableness of the fund managers' valuation could be assessed by comparison with the funds' latest available audited accounts as adjusted for subsequent cash movements (investments and distributions) between the pooled investment vehicle and the investors. However, market volatility means such comparison may be inappropriate especially when there is a significant time period between the latest audited accounts and the fund year end.

As these investments are more complex to value we have identified the Fund's investments in property and pooled investment vehicles as a significant risk.

### Deloitte response

The following tests were performed to address the significant risk around investments:

- we have reviewed the design and implementation of controls present at the Fund for ensuring investments are valued correctly;
- we have obtained a further understanding of the valuation of investments. The value of unquoted investments vehicles represents less than 6% of the assets of the Fund as a whole. The majority of the investments held by the Fund being in investments which have a quoted value;
- we have reconciled the total value of the investments held by the Fund as reported in the investment report from Northern Trust to the value of investments reported in the Net Assets Statement;
- We have compared the valuations provided by Northern Trust to the reports provided by the investment manager;
- we have performed a test of detail on a sample basis of quoted investment and compared the value reported by the Northern Trust to the quoted price obtained from Bloomberg, DataStream or other third party sources; and
- we have performed a test of detail on a sample basis of the unquoted pooled investments to the valuations received from the external investment managers.

We identified that in one case the Northern Trust reports had taken the value of the private equity fund for LGT from the February month end. This was due to the lack of availability of the valuation at March when the report was produced. An adjustment was posted amounting to £467,000 for the movement in valuation to 31 March 2011.

---

# 1. Key audit risks (continued)

## Investments (continued)

### Deloitte response (continued)

In addition it was noted that the audited accounts for the LGT funds contained modified opinions. The financial statements of the funds included an emphasis of matter paragraph over the valuation of the illiquid investments. We held discussions with the fund manager to satisfy ourselves that the values of the investments are unlikely to contain a material error. Our discussions included gaining a further understanding of the valuation process used and comparing this to the industry standard.

This has caused an additional disclosure included in the accounts which have now included the following wording to bring the users attention to this uncertainty:

“The carrying value of private equity holdings has been sourced directly from the valuations provided by the private equity fund managers. Due to the inherent nature of this type of investment and the lack of a liquid market, it can be difficult to obtain precise realisable values and hence, the carrying value of these investments may differ from the realisable value.”

We have recommended that the committee annually review the funds audited accounts to satisfy themselves that the valuations provided are sufficiently accurate, see section 2.

Other than the above no issues were identified during our audit procedures.

---



# 1. Key audit risks (continued)

## Accounting for International Financial Reporting Standards (IFRS)

<b>Audit risk</b>	<p>The Code of Practice on Local Authority Accounting sets out how Local Government Pension Funds should apply IFRS. The main implications for the London Borough of Hillingdon are as follows:</p> <ul style="list-style-type: none"><li>• The requirement for the actuarial present value of promised retirement benefits to be disclosed, with three options for disclosure:<ul style="list-style-type: none"><li>○ Option A – in the Net Asset Statement disclosing the resulting surplus or deficit;</li><li>○ Option B – in the notes to the Financial Statements; or</li><li>○ Option C – by referring to the actuarial information in an accompanying actuarial report.</li></ul></li><li>• Additional note disclosures required around the actuarial positions of the fund and the significant assumptions made.</li></ul> <p>From discussion with the administrators we note that the London Borough of Hillingdon have adopted Option B.</p>
<b>Deloitte response</b>	<p>The disclosure made complies with the requirements for Option B as detailed in the Code of Practice on Local Authority Accounting 2010/11.</p>

## Other areas – Management override of controls

<b>Audit risk</b>	<p>We are required by ISA 240 ‘The auditors responsibility to consider fraud in an audit of the financial statements’ to presume there is a significant risk of management override of the system of internal control</p>
<b>Deloitte response</b>	<p>Our audit work included:</p> <ul style="list-style-type: none"><li>• we have reviewed analysis and supporting documentation for journal entries, key estimates and judgements;</li><li>• we have performed substantive testing on journal entries to confirm that they have a genuine, supportable rationale;</li><li>• we have reviewed ledgers for unusual items and on a test basis investigated the rationale of any such postings;</li><li>• we have reviewed significant management estimates and judgements such as year end accruals and provisions and consider whether they are reasonable; and</li><li>• we have made enquiries of those charged with governance as part of our planning and detailed audit processes.</li></ul> <p>All testing was completed with satisfactory results.</p>

# 1. Key audit risks (continued)

## Other areas – Revenue recognition

**Audit risk** We are required by ISA 240 'The auditors responsibility to consider fraud in an audit of the financial statements' to presume there is a significant risk of fraud in revenue recognition and conduct our audit testing accordingly, unless the presumption is rebutted.

**Deloitte response** We have considered the risk of fraud in revenue recognition in respect of the Fund and no significant risks have been identified. Revenue in respect of a pension Fund related to contributions income and we have concluded that there is no incentive to misstated contributions on this Fund.

We are satisfied that the work performed in the current year has indicated that the rebuttal of the revenue recognition risk is still considered appropriate.

---

## 2. Accounting and internal control systems

### Control observation

During the course of our audit we identified one area for improvement in the internal control system which is detailed below:

#### Review of private equity funds financial statements

<b>Observation</b>	There was no procedure in place to complete a detailed review of the private equity funds annual audited financial statements. It was noted that the audit opinion on some of the funds was modified to include an emphasis of matter paragraph raising attention to the possibility the valuation may differ from that shown due to the illiquid market for these securities. This could lead to incorrect valuation of these funds in the pension scheme financial statements.
<b>Recommendation</b>	We recommend that a process is implemented to review annually the audited financial statements for all private equity funds. The committee should consider any issues identified by the auditors and the impact on the scheme should be assessed and disclosure included in the accounts to explain any uncertainties identified.
<b>Management response</b>	Agreed, as a result of this issue being raised, we will implement an annual process to undertake a review of the private equity funds financial statements. Any issues found during the review will be reported to Pensions Committee.
<b>Owner</b>	Nancy LeRoux

---

# 3. Current Accounting and Regulatory Issues

## Upcoming financial reporting developments

For reference, the following developments in the pension industry may impact the governance arrangements and financial statements of the London Borough of Hillingdon. Whilst we appreciate that Local Government Pension Fund are not regulated by the Pensions Regulator we consider their guidance to be indicative of what is currently considered to be best practice in the pensions sector.

### **The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009**

The key change to The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 that apply from 1 April 2011 is a new requirement for each pension Fund to have a bank account which is separate from any which the Administering Authority has in its capacity as a local authority. This change is being adopted because it will enable pension Fund monies to be clearly ring-fenced from other monies of the local authority, and thus reflects a longstanding Audit Commission view on best practice. Some pension Funds already have a separate bank account, but this change will ensure consistency across all 89 administering authorities in England and Wales.

It is noted that London Borough of Hillingdon implemented these requirements during January 2009 and are fully compliant.

### **The Local Government Pension Scheme (Benefit, Membership and Contributions) (Amendment) Regulations 2011**

There are no key changes to regulation contained in this statutory instrument. The purpose of the statutory instruments is to clarify the regulation contained in the Local Government Pension Fund (Benefit, membership and Contributions) Regulations 2007 where the member retires on the grounds of ill health. This change applies from 1 April 2011.

## 3. Current Accounting and Regulatory Issues (continued)

### Preparing for the UK Bribery Act

It is important for all organisations to take the time to make a considered response and consolidate the processes that they already have in place to ensure that they are in a strong position to demonstrate that “adequate procedures” can be evidenced from July 2011 onwards. Guidance has just been released with the key principals being:

- **Proportionate procedures** – an organisation should have anti-bribery and corruption procedures that are proportionate to the specific risks faced by the business and to the nature, scale and complexity of its operations.
- **Top level commitment** - senior management should demonstrate their commitment to preventing bribery, establish a culture that supports this commitment and communicate the company's anti-bribery policy throughout the organisation.
- **Risk assessment** - the company should perform a regular and comprehensive assessment of the nature and extent of its corruption risks.
- **Due diligence** - the company should understand the background and reputation of the parties with whom it does business.
- **Communication (including training)** - the company's anti-bribery policies should be effectively embedded in day to day business processes.
- **Monitoring and review** - the company should implement appropriate monitoring and review mechanisms to ensure compliance with relevant policies and procedures.

### The Pension Regulator – final employer support guidance

In November 2010, the Pensions Regulator published guidance focusing on encouraging those charged with governance to take proactive steps to ensure there is adequate security for their pension Fund.

Given the partnership working that is being undertaken by Local Authorities with private sector, Local Government Pension Fund are in general seeing an increased number of applications for employers to be admitted to the Fund. Given the last man standing nature of the Local Government Pension Fund we consider that this guidance may be relevant to you when determining whether to admit new employers to the Fund and if they are to be admitted what security should be requested of employers.

The guidance provides information on what those charged with governance should do to measure and monitor employer covenant, which could be used as part of assessments of potential admitted bodies.

Detailed guidance is available at:

<http://www.thepensionsregulator.gov.uk/guidance/monitoring-employer-support.aspx>

## 4. Other matters for communication

As part of our obligations under International Standards on Auditing (UK & Ireland), we are required to report to you on the matters listed below.

<b>Independence</b>	<p>We consider that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and the objectivity of the audit engagement partner and audit staff is not compromised.</p> <p>If the Audit or Pension Committee's wishes to discuss matters relating to our independence, we would be happy to arrange this.</p>
---------------------	---

<b>Non-audit services</b>	<p>We are not aware of any inconsistencies between APB Revised Ethical Standards for Auditors and the Administering Authority's policy for the supply of non audit services or of any apparent breach of that policy.</p> <p>Fees payable to the auditors for the audit of the annual accounts of the London Borough of Hillingdon (excluding VAT) have been provided to the audit committee in the report covering the local authority.</p> <p>Our fee is consistent with the scale fee determined by the Audit Commission.</p>
---------------------------	--

<b>International Standards on Auditing (UK and Ireland)</b>	<p>We consider that there are no additional matters in respect of those items highlighted in our publication "Briefing on audit matters" to bring to your attention that have not been raised elsewhere in this report or our audit plan.</p>
---	---

<b>Liaison with internal audit</b>	<p>The Audit team, following an assessment of the independence and competence of the internal auditor, reviewed the findings of internal audits to inform the risk assessment and considered the impact on our audit approach.</p> <p>No adjustments were made to the audit approach as a result of our review of the work of internal audit.</p>
------------------------------------	---

<b>Written representations</b>	<p>A copy of the representation letter to be signed on behalf of the Authority is attached at Appendix 1.</p>
--------------------------------	---

<b>Relationships</b>	<p>There are no relationships (including the provision of non-audit services) we have with the London Borough of Hillingdon, its trustees 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 our objectivity and independence, together with the related safeguards that are in place.</p>
----------------------	--

## 5. Responsibility statement

The Audit Commission published a 'Statement of responsibilities of auditors and of audited bodies' alongside the Code of Audit Practice. The purpose of this statement is to assist auditors and audited bodies by summarising where, in the context of the usual conduct of the audit, the different responsibilities of auditors and of the audited body begin and end, and what is expected of the audited body in certain areas. The statement also highlights the limits on what the auditor can reasonably be expected to do.

Our audit plan has been prepared on the basis of, and our audit work carried out in accordance with the Code and the Statement of Responsibilities, copies of which have been provided to the Council by the Audit Commission.

The audit may include the performance of national studies developed by the Audit Commission, where the auditors are required to follow the methodologies and use the comparative data provided by the Audit Commission. Responsibilities for the adequacy and appropriateness of these methodologies and the data rests with the Audit Commission. The audit may also include reviews such as this report which address locally determined risks and issues the scope of which is agreed with management in advance of the work. In this case it is for management to determine whether the scope is adequate and appropriate to their needs.

While our reports may include suggestions for improving accounting procedures, internal controls and other aspects of your business arising out of our audit, we emphasise that our consideration of the Pension Fund's system of internal control was conducted solely for the purpose of our audit having regard to our responsibilities under Auditing Standards and the Code of Audit Practice. We make these suggestions in the context of our audit but they do not in any way modify our audit opinion which relates to the financial statements as a whole. Equally, we would need to perform a more extensive study if you wanted us to make a comprehensive review for weaknesses in existing systems and present detailed recommendations to improve them.

Any conclusion, opinion or comments expressed herein are provided within the context of our opinion on the financial statements and our conclusion on value for money as a whole, which was expressed in our auditors' report.

We view this report as part of our service to you for corporate governance purposes and it is to you alone that we owe a responsibility for its contents. We accept no duty, responsibility or liability to any other person as the report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

### **Deloitte LLP**

Chartered Accountants

St Albans

XX XXXXX 2011

# Appendix 1: Draft representation letter

Deloitte LLP

*Our Ref:* MGB/HB/2011

*Date:*

Dear Sirs

## **London Borough of Hillingdon Pension Fund (the “Fund”)**

This representation letter is provided in connection with your audit of the financial statements of the Fund for the year ended 31 March 2011 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Fund, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010, the financial transactions of the Pension Fund during the year ended 31 March 2011, and the amount and disposition of the Fund's asset and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the Fund year.

We acknowledge as members of London Borough of Hillingdon Council our responsibilities for ensuring that the financial statements are prepared which give a true and fair view, for keeping records in respect of active members of the Fund and for making accurate representations to you.

We confirm, to the best of our knowledge and belief, the following representations.

1. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of Officer and Committee member meetings, have been made available to you.
2. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.
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 are not aware of any significant facts relating to any frauds or suspected frauds affecting the Fund involving:
  - (i). management;
  - (ii). employees who have significant roles in internal control; or
  - (iii). others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by members, former members, employers, regulators or others.
6. We are not aware of any actual or possible instances of non-compliance with laws and regulations, the effects of which should be considered when preparing financial statements.



7. Where required, the value at which assets and liabilities are recorded in the net asset statement is, in the opinion of the Authority, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Fund. Any significant changes in those values since the balance sheet date have been disclosed to you.
8. We confirm the completeness of the information provided regarding the identification of related parties, and the adequacy of related party disclosures in the financial statements. We have made enquiries of any key managers or other individuals who are in a position to influence, or who are accountable for the stewardship of the Fund and confirm that we have disclosed in the financial statements all transactions relevant to the Fund and we are not aware of any other such matters required to be disclosed in the financial statements, whether under Statement of Recommended Practice – Financial Reports of Pension Funds (revised May 2007) (“Pensions SORP 2007”) or other requirements.
9. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to wind up the Fund. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Fund’s ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
10. You have been informed of all changes to the Fund rules during the year and up to the current date.
11. We have not commissioned advisory reports which may affect the conduct of your work in relation to the Fund’s financial statements.
12. No claims in connection with litigation have been or are expected to be received.
13. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
14. There have been no events subsequent to 31 March 2011 which require adjustment of or disclosure in the financial statements or notes thereto.
15. There have been no irregularities involving management or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.
16. The pension Fund accounts and related notes are free from material misstatements, including omissions.
17. 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. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
18. The Fund has satisfactory title to all assets.
19. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
20. No transactions have been made which are not in the interests of the members of the Fund during the Fund year or subsequently.
21. We confirm that:
  - all retirement benefits and Funds, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
  - all settlements and curtailments have been identified and properly accounted for;
  - all events which relate to the determination of pension liabilities have been brought to the actuary’s attention;

- the actuarial assumptions underlying the valuation of the Fund liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
  - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
  - the amounts included in the financial statements derived from the work of the actuary are appropriate.
22. All trades in complex financial instruments are in accordance with our risk management policies, have been conducted on an arm's length basis and have been appropriately recorded in the accounting records, including consideration of whether the complex financial instruments are held for hedging, asset/liability management or investment purposes. None of the terms of the trades have been amended by any side agreement and no documentation relating to complex financial instruments (including any embedded derivatives and written options) and other financial instruments has been withheld.
23. We confirm that the Pension Fund Annual Report is compliant with the requirements of Regulations 34(1)(e) of the Local Government Pension Fund (Administration) Regulations 2008 and related guidance.
24. We confirm that the information that is contained within the Pension Fund Annual Report and Accounts for the year to 31 March 2011 is complete, accurate and consistent with the information that is contained within the Accounts.

We confirm that the above representations are made on the basis of adequate enquiries of other officials of the Fund (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of London Borough of Hillingdon

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

© 2011 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

**Member of Deloitte Touche Tohmatsu Limited**