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Co-ordinator

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10 July 2019

To: All Members of the Pensions Committee and Board

Dear Member,

Pensions Committee and Board - Thursday, 11th July, 2019

I attach a copy of the following appendix for the above-mentioned meeting which were not available at the time of collation of the agenda:

**8. 2018/19 PENSION FUND ACCOUNTS AND ANNUAL REPORT
(PAGES 1 - 36)**

Annex 1 - LB Haringey Pension Fund Draft Audit Completion Report

Yours sincerely

Glenn Barnfield, Principal Committee Co-ordinator
Principal Committee Co-Ordinator

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Report to the Pensions Committee and Board
**LONDON BOROUGH OF HARINGEY
PENSION FUND**

Audit Completion Report: Year ended 31 March 2019

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WELCOME

Introduction

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We have pleasure in presenting our Audit Completion Report to the Pensions Committee and Board. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2019, specific audit findings and areas requiring further discussion and/or the attention of the Pensions Committee and Board. At the completion stage of the audit it is essential that we engage with the Pensions Committee and Board on the results of our audit of the financial statements comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Pensions Committee and Board meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by the Council as a whole. We expect that the Pensions Committee and Board will refer such matters to the Council, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the management and staff of the Pension Fund for the co-operation and assistance provided during the audit.

Leigh Lloyd-Thomas

8 July 2019



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Pensions Committee and Board and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

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This summary provides an overview of the audit matters that we believe are important to the Pensions Committee in reviewing the results of the audit of the financial statements of the Pension Fund for the year ended 31 March 2019.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



Overview

Our audit work is substantially complete and subject to the successful resolution of outstanding matters, we anticipate issuing our opinion on the financial statements for the year ended 31 March 2019 in line with the agreed timetable.

Outstanding matters are listed in the appendices.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

Audit report

We anticipate issuing an unmodified audit opinion on the financial statements.

THE NUMBERS

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Final materiality

Final financial statements materiality was determined based on 1% of the value of investments in the net assets statement. Specific materiality on the fund account was based on 5% of contributions.

We have increased our materiality from the initially planning materiality of £13.6 million to £13.8 million following the increase in the value of investment in the financial statements.

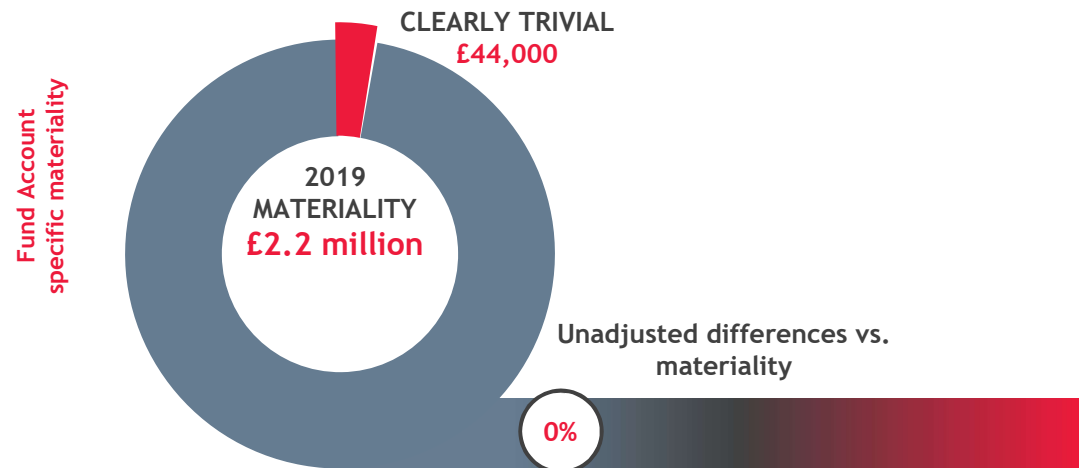
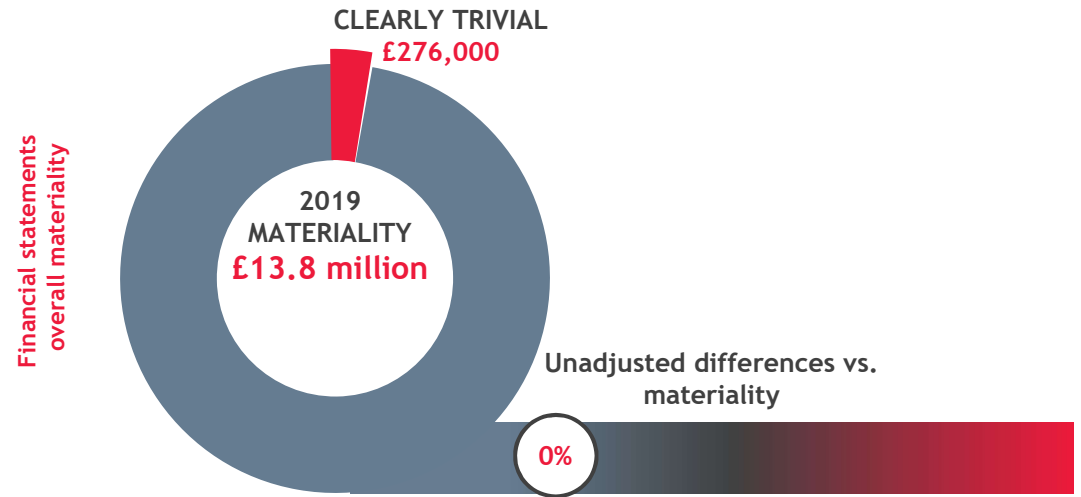
There were no changes to final specific materiality for the fund account.

Material misstatements

We did not identify any material misstatements.

Unadjusted audit differences

We did not identify any audit differences that have not been adjusted.



OTHER MATTERS

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Financial reporting

- We have not identified any non-compliance with accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient.
- The pension fund annual report is consistent with the financial statements and our knowledge acquired in the course of the audit.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Pension Fund in accordance with the Financial Reporting Council's Ethical Standard.



AUDIT RISKS OVERVIEW

As identified in our Audit Plan dated 28 February 2019 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Estimate / Judgement	Use of Experts Required	Error Identified	Significant Control Findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	No	No
Pension liability valuation	Significant	Yes	Yes	Yes	No	Yes - impact of GMP and McCloud on whole fund liability
Membership disclosure	Normal	No	No	No	No	No
Valuation of investment assets	Normal	No	No	No	No	No
Benefits payable	Normal	No	No	No	No	No
Classification of financial instruments (IFRS 9)	Normal	No	No	No	No	No
Contributions receivable	Normal	No	No	No	No	No

 Areas requiring your attention

MANAGEMENT OVERRIDE OF CONTROLS

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ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings
Letter of Representation point

Risk description

ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Work performed

We carried out the following planned audit procedures:

- Reviewed and verified large and unusual journal entries made in the year and agreeing the journals to supporting documentation; and
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias.

Results

Our audit work on journals and estimates is still in progress. No issues have been found in the testing completed to date.

We will provide a verbal update to the Committee.

PENSION LIABILITY VALUATION

There is a risk that the membership data and cash flows provided to the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

An actuarial estimate of the whole fund pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on a roll-forward of data from the 2016 triennial valuation, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

Following a ruling on gender discrimination on a Lloyds case, the courts found that UK defined benefit schemes must equalise Guaranteed Minimum Pensions (GMP). Actuaries estimate that this could result in an increase in pension liabilities by up to 0.5% (material) but are not expected to include this in the 31 March 2019 valuation as Government has extended the 'interim solution' from December 2018 through to April 2021 to potentially fund this through an alternative long-term methodology known as 'conversion'.

Following the ruling on age discrimination on the McCloud case, where members approaching retirement age received protected benefits moving to the career average relevant earnings scheme from the final salary scheme, Government will have to remedy the discrimination in the LGPS.

There is a risk the valuation is not based on appropriate membership data where there are significant changes, uses inappropriate assumptions to value the liability or fails to include the potential additional liabilities arising from the GMP and McCloud rulings.

Work performed

We carried out the following planned audit procedures:

- Agreed the disclosures to the information provided by the pension fund actuary;
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Reviewed the controls for providing accurate membership data to the actuary;
- Checked whether any significant changes in membership data have been communicated to the actuary; and
- Discussed with the actuary how the impact of the GMP gender discrimination and McCloud age discrimination judgements have been taken into account in the liability assumptions at 31 March 2019.

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PENSION LIABILITY VALUATION

Continued

(continued)

Results

We have agreed the disclosures to the information provided by the actuary and identified no issues.

Our review of the reasonableness of assumptions used to calculate the present value of future pension obligations is noted in the following page.

Our review of the controls to ensure data provided to the actuary for the roll forward valuation at 31 March 2019 is complete and accurate did not identify any issues. We have identified differences in the cashflow information sent to the actuary as at month 10 plus two months estimates to the actual figures for the year. We did not consider these to be significant differences that would materially impact on the liability valuation.

In respect of the McCloud judgement, the Council has requested an updated valuation of the whole fund liability, along with the impact on the Council's accounts as a scheme employer, to take account of the impact of this ruling. The Government Actuary Department has undertaken an LGPS-wide impact assessment and a worse case scenario suggests that the liability could increase by up to 3.2% for active members where the fund has an average age of 46 and salaries increase at +1.5% above CPI. We will review the actuary's assumptions and calculation of the best estimate of potential additional costs and scheme liabilities arising from the McCloud case.

In respect of GMP gender equalisation, the Government's interim solution, originally in place from 2016 to 2018, has been extended to 2021 to find time to agree whether the LPGS or Government should fund these additional costs. Actuaries have not been treating these costs consistently on triennial and balance sheet valuations. We note that Hymans has made no allowance for GMP costs in its calculation of fund liabilities. An LGPS wide assessment of costs covering GMP for the interim solution between 2016 to 2018, the extension from 2018 to 2021, and potential post 2021 costs falling on the LGPS would increase liabilities by +0.3%. We have estimated that the additional liability for the Haringey fund would be an additional £6.2 million of liabilities.

While not material to the whole fund liability, we believe that this is a non-trivial understatement of liabilities disclosed on the notes of the financial statements.

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PENSION LIABILITY VALUATION

Continued

Significant accounting estimates/judgements: pension liability

Overview

The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows.

Changes in 2018/19

The actuarial valuation of future benefits has increased from £1,906 million to £2,080 million.

Changes in assumptions that have increased the liability include an increase CPI and future pension increases (from 2.4% to 2.5%), increases in salaries (from 3.0% to 3.1%), and a reduction to the discount rate (from 2.6% to 2.4%). Mortality assumptions have remained the same. This has resulted in an increase in the liabilities from these actuarial assumptions of £115 million.

The fund also transferred out £40 million assets in year in respect of a bulk transfer of liabilities for the College of Haringey, Enfield and North East London.

Discussion

The pension liability to pay future pensions has increased by £174 million to £2,080 million at 31 March 2019.

We compared the assumptions and estimates used by the actuary with the expected ranges provided by the independent consulting actuary.

	Actual	Expected / range	Comments
RPI increase	3.5%	3.5%	Reasonable
CPI increase	2.5%	2.5%	Reasonable
Salary increase	3.1%	--	Reasonable (derived from RPI assumptions)
Pension increase	2.5%	2.5%	Reasonable
Discount rate	2.4%	2.4-2.5%	Reasonable
Mortality - LGPS:			
- Male current	23.8 years	23.7-24.4	Reasonable
- Female current	26.0 years	26.2-26.9	Lower than bottom end of range
- Male retired	21.8 years	21.5-22.8	Reasonable
- Female retired	24.1 years	24.1-25.1	At bottom of range
Commutation:			
- Pre 2008	50%	25% - 75%	Reasonable
- Post 2008	75%	25% - 75%	Reasonable

Female mortality is lower than expected based on national data. However, the actuary uses an analysis based on local data (Club Vita) which takes into account postcode variations that confirms the mortality data used.

We are satisfied that the assumptions used are not unreasonable or outside of the expected ranges. We have included specific representations that management confirm that the assumptions used reflect their understanding of the future expectations of the scheme.

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There is a risk that the membership database may not be accurate and up to date to support the disclosure in the accounts.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings
Letter of Representation point

Risk description

Membership information including the number of current contributors, deferred beneficiaries and pensioners by employer is required to be disclosed in the financial statements.

There is a risk that the membership database may not be accurate and up to date to support the disclosure in the accounts.

Work performed

We carried out the following planned audit procedures:

- Obtained membership records and reviewed the controls over the maintenance of these records; and
- Tested a sample of movements of members to transactions recorded in the fund account and other underlying supporting documentation

Results

We have obtained the membership records and reviewed the controls over the maintenance of the records and identified no issues.

Our work on testing a sample of movements of members to transactions recorded in the fund account and other underlying supporting documentation is still in progress. No issues have been found in the testing completed to date.

We will provide a verbal update to the Committee.

VALUATION OF INVESTMENT ASSETS

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
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Risk description

The investment portfolio includes private equity valued by the General Partner or fund manager using valuations obtained from the underlying partnerships. Valuations are provided at 31 December and need to be updated and adjusted to reflect cash transactions (additional contributions or distributions received) up to 31 March.

The fair value of other funds comprising unit trusts, unitised insurance policies and pooled investments is provided by individual fund managers and reviewed by the custodian (Northern Trust). These valuation are reported on a quarterly basis although there may be amendments to the final valuations that may be received after the draft accounts have been prepared.

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the General Partner or fund managers including any subsequent final valuations to ‘flash’ valuations in the draft accounts; and
- Obtained independent assurance reports over the controls operated by the fund managers for valuations and existence of underlying investments in the funds.

Results

There has been one additional fund manager in the year.

The investment valuations included in the financial statements agreed to the valuations provided by the fund managers.

We obtained assurance reports for each fund manager and the custodian and we did not identified any issues with the effectiveness of controls operated by fund managers for valuations and existence of underlying investments in the funds. There were trivial difference between the custodian valuations and the valuations provided by some fund managers.

BENEFITS PAYABLE

There is a risk that benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.

Risk description

Benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.

Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.

Work performed

We carried out the following planned audit procedures:

- For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, substantively tested a sample of calculations of pension entitlement;
- Checked the correct application of annual pension uplift for members in receipt of benefits;
- Checked a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member and also review the results of the checks undertaken by ATMOS on the existence of pensioners;
- Review the results of the latest National Fraud Initiative (NFI) data matching exercise of members in receipt of benefits with the records of deceased persons and what actions have been taken to resolve potential matches;
- Reviewed any life certification exercises undertaken for members that are excluded from the National Fraud Initiative; and
- Agreed amounts recorded in the ledger for benefits paid to the pensioner payroll reports.

Results

Our work on testing of pension benefits for members leaving the scheme and pensioners in receipt of pensions to underlying records and agreeing amounts in the ledger for benefits paid to pensioner payroll reports is still in progress. No issues have been found in the testing.

Our work on the review of the NFI data matching exercise is still in progress.

We will provide a verbal update to the Committee.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
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CLASSIFICATION OF FINANCIAL INSTRUMENTS (IFRS 9)

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There is a risk that financial instruments are not classified and measured in accordance with new financial reporting standard.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings
Letter of Representation point

Risk description

IFRS 9 financial instruments has been implemented for 2018/19 and requires all relevant financial instrument assets (principally investments and receivables) and liabilities (principally payables) to be categorised under new criteria based on their business model and contractual cash flows that will determine their classification and basis of valuation.

As investment assets in the pension fund are already carried at fair value through profit and loss (FVTPL) this is unlikely to require reclassification of these financial assets. Management will need to determine whether the £150,000 investment in the London CIV represents a direct equity holding and could be classified as FVTPL or fair value through other comprehensive income (FVOCI), or whether this is a loan to the London CIV and held at amortised cost.

Some receivables carried at amortised cost will require an expected credit loss impairment (ELC) review rather than an incurred credit loss impairment review as in previous years, taking into account future potential losses. This is not required for contributions due from other local authorities and Government bodies as the Code states that these cannot have credit impairments. Therefore, this is likely to impact only on receivables for non-government admitted and scheduled bodies contributions due.

There is a risk that financial instruments are not classified and measured in accordance with IFRS9 and the new disclosures required by these new standards are omitted.

Work performed

We carried out the following planned audit procedures:

- Reviewed the work performed by the pension fund, once undertaken, to assess the impact of IFRS 9 on the financial statements; and
- Reviewed the disclosures required relating to the adoption of the new accounting standard.

Results

Our work on the assessment of the impact of IFRS 9 and review of the disclosures relating to the adoption of the new standard is still in progress. No issues have been found in the testing completed to date.

We will provide a verbal update to the Committee.

CONTRIBUTIONS RECEIVABLE

There is a risk that employers may not be calculating contributions correctly or the pension fund does correctly charge costs arising on pension strain for early retirements and augmented pensions.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings
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Risk description

Employers are required to deduct amounts from employee pensionable pay based on tiered pay rates and to make employer normal and deficit contributions in accordance with rates agreed with the actuary.

Additional contributions are also required against pension strain for unreduced pensions for early retirements and augmentation of pensions.

There is a risk that employers may not be calculating contributions correctly, not paying over the full amount due to the pension fund or failing to charge employers the capital cost of pension strain due to early retirement.

Work performed

We carried out the following planned audit procedures:

- Tested a sample of normal contributions due (and additional deficit contributions where included in a higher employer rate) for active members including checking to employer payroll records;
- Reviewed contributions receivable and ensure that income is recognised in the correct accounting period where the employer is making payments in the following month;
- Performed tests over capital cost due from employers for pension strain due to early retirement; and
- Reviewed contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.

Results

We have tested normal contributions for active members and agreed them to payroll records and identified no issues.

We have agreed the deficit contribution to the Actuary's report and identified no issues.

Our work on the capital costs from employers for pension strain and review of contributions income in accordance with Actuary's Rates and Adjustments Certificate is still in progress. No issues have been found in the testing completed to date.

We will provide a verbal update to the Committee.

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MATTERS REQUIRING ADDITIONAL CONSIDERATION

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Fraud

Whilst the Council (as administering authority) and the Chief Finance Officer have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Internal audit

We reviewed the audit work of the Pension Fund's internal audit function to assist our risk scoping at the planning stage.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.



UNADJUSTED AND ADJUSTED AUDIT DIFFERENCES: SUMMARY

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We are required to bring to your attention unadjusted differences and we request that you correct them.

We have not identified any audit differences from the work performed to date on the Fund Account and Net Asset Statement.

However, we expect that the impact of McCloud on the whole scheme liability valuation will require correction in the actuarial valuation of scheme liabilities disclosure.

We also estimate that the impact on GMP equalization will increase the scheme liabilities by £6.2 million and this has not been included in scheme liabilities disclosure.

REPORTING ON OTHER INFORMATION

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We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the annual report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the annual report is consistent with the financial statements and our knowledge.

SIGNIFICANT DEFICIENCIES

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We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Pensions Committee and Board.

As the purpose of the audit is for us to express an opinion on the Pension Fund’s financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We have not identified any significant deficiencies.

FOLLOW UP OF PRIOR YEAR DEFICIENCIES

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Area	Issue and impact	Original recommendation	Management response	Progress
Altair system	We noted that there is no formal process in place for adding new starters and removing leavers with more than read only access on the Altair system.	<p>We recommend that the user access review process should be performed by an individual who is independent of the user access set up and deletion process. The process should include obtaining a system generated user list for the respective application which specifically details the access permissions that each user has been allocated. This should be signed by management to verify that this allocation is appropriate.</p> <p>If any changes are required as a result of this review, this should be requested via the formal request for user modification process.</p> <p>The review should take place on a quarterly basis.</p>	Management will review the starter and leaver process for the Altair system.	[xx]

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Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements.

There are no matters that we wish to draw attention to by way of 'emphasis of matter'.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Pension Fund's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

INDEPENDENCE

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Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC’s Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2019.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Plan.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Pension Fund.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Pension Fund.

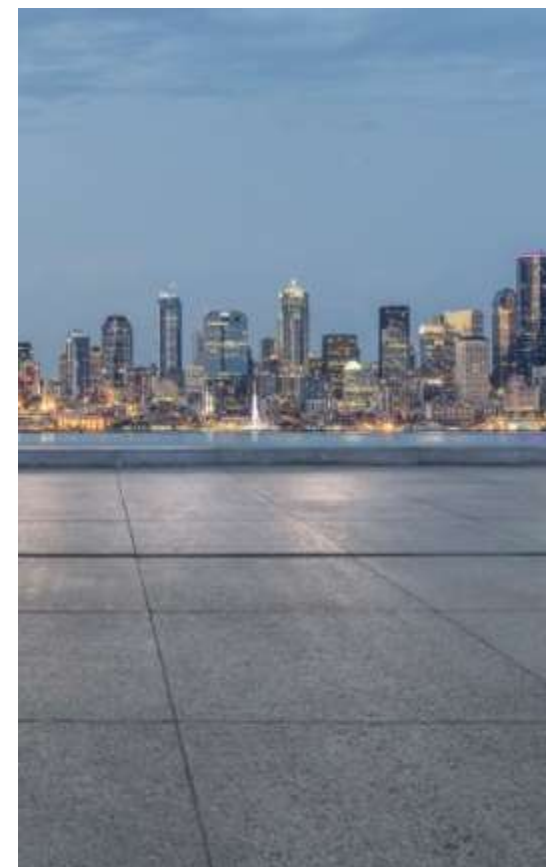
Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

Fees summary

	2018/19	2018/19	2017/18
	Actual	Planned	Actual
	£	£	£
Audit fee			
Code audit fee	(1) 16,170	16,170	21,000
Total fees	16,170	16,170	21,000

(1) PSAA has set the 2018/19 fee scale at £16,170 on the basis that individual fees for all opted-in bodies have been reduced by 23 percent from the fees applicable scale fee for 2017/18 of £21,000. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms' costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA is making in its own operating costs.



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RESPONSIBILITIES AND REPORTING

Responsibilities and reporting

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the ‘other information’ contained in the Statement of Accounts such as the Annual report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Pensions Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



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	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

COMMUNICATION AND REPORTS ISSUED

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Those Charged with Governance (TCWG)

References in this report to those charged with governance are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Pensions Committee and Board.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Plan	14 March 2019	Pensions Committee and Board
Audit Completion Report (draft)	8 July 2019	Pensions Committee and Board

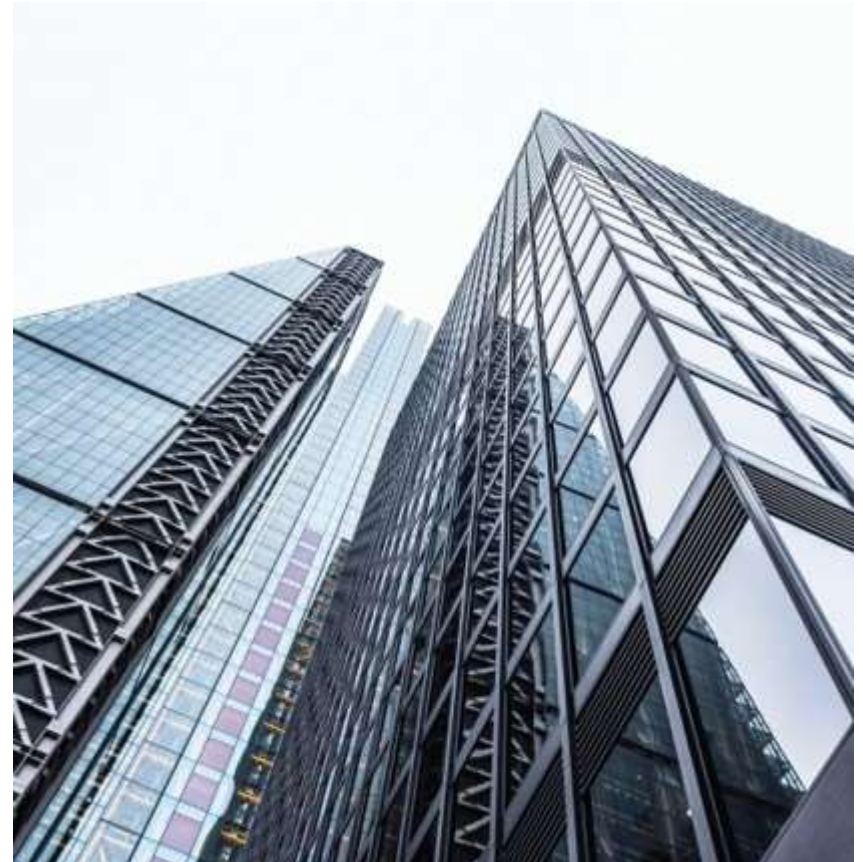
OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2019.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Pensions Committee and Board meeting at which this report is considered:

- Journals
- Present value of promised retirement benefits (McCloud judgement and GMP considerations)
- Membership disclosure
- Pension benefits
- Financial instruments

The audit file and financial statements are still subject to review by the Engagement Lead.



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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

Letter of representation

[Client name and Letter headed paper]

BDO LLP
55 Baker Street
London
W1U 7EU
Dear Sirs

Financial statements of London borough of Haringey Pension Fund for the year ended 31 March 2019

We confirm that the following representations given to you in connection with your audit of the Pension Fund’s financial statements for the year ended 31 March 2019 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Pension Fund as of 31 March 2019 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Pension Fund, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Pension Fund’s financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Pension Fund have been made available to you for the purpose of your audit and all the transactions undertaken by the Pension Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Pension Fund’s ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Pension Fund is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note xx to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Pension Fund’s ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Pension Fund’s business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

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 advisers. We confirm that we are not aware of any matters which have arisen that would require a report to The Pensions Regulator. There have been no communications with the Pensions Regulator or other regulatory bodies during the year or subsequently covering areas of non-compliance with any legal duty.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

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Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

You have not advised us of any unadjusted misstatements in the financial statements Fund Account or Net Asset Statement. You have brought to our attention a potential understatement of the future liability to pay pensions disclosure in respect of the costs of GMP equalisation.

In our opinion, the effects of not correcting such identified misstatements are immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

There were no loans, transactions or arrangements between the Pension Fund and the members or their connected persons at any time in the year which were required to be disclosed.

The disclosures in the financial statements concerning the Administering Authority of the Pension Fund are accurate.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

The value at which investment assets are recorded in the net assets statement is the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuations, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the scheme. Any significant changes in those values since the year end date have been disclosed to you.

None of the assets of the scheme has been assigned, pledged or mortgaged.

The following key assumptions have been used to calculate the actuarial present value of future pension benefits disclosed in the financial statements:

- RPI increase 3.5%
- CPI increase 2.5%
- Salary increase 3.1%
- Pension increase 2.5%
- Discount rate 2.4%
- Mortality: Current pensioners - male 21.8 years and female 24.1 years / future pensioners - male 23.8 years and female 26 years
- Commutation: pre-April 2008 - 50% / post-April 2008 - 75%

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We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 19 and IAS 26.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each member has taken all the steps that they ought to have taken as a director or member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Jon Warlow
 Chief Finance Officer
 [date]

Councillor Matt White
 Chair of the Pensions Committee and Board
 [date]



FOR MORE INFORMATION:

Leigh Lloyd-Thomas

t: 020 7893 2616

e: leigh.Lloyd-thomas@bdo.co.uk


The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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