Kodi Sprott, Principal
Committee
Coordinator

020 8489 5343

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05 February 2025

To: All Members of the Pensions Committee and Board

Dear Member,

Pensions Committee and Board - Wednesday, 12th February, 2025

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

8. 2023/24 PENSION FUND ACCOUNTS – EXTERNAL AUDITORS ANNUAL REPORT (PAGES 1 - 54)

Yours sincerely

Kodi Sprott, Principal Committee Coordinator
Principal Committee Co-Ordinator

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Agenda Item 8

Report for: Pensions Committee and Board – 12 February 2025

Item number: **1**

Title: 2023/24 Pension Fund Accounts – External Auditors Annual Report

Report authorised by: Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officers: Jamie Abbott, Head of Pensions
020 8489 3824
Jamie.Abbott@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Not applicable

1. Describe the issue under consideration

1.1. For the Pensions Committee and Board (PCB) to consider the statutory Annual Report from KPMG, which highlights their findings from the audit of the Pension Funds statutory accounts.

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

3.1. Consider the contents of this report and any further oral updates given at the meeting by KPMG.

3.2. Note the Statement of Accounts 2023/24 were presented to Audit Committee on the 27 January 2025

3.3. Note the Draft IAS 260.

3.4. Agree that the Committee delegates the sign off for the Pension Fund Accounts 2023/24, subject to any final changes required by the conclusion of the audit, to the Section 151 Officer in consultation with the Chair.

4. Reason for Decision

4.1. Approval of the Pension Funds accounts is a non-executive function fulfilled by the Pensions Committee and Board.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The Council, as an administering authority under the Local Government Pension Scheme Regulations, is required to produce a separate set of accounts for the scheme's financial activities, assets and liabilities.

6.2. The contents and format of the accounts are determined by statutory requirements and mandatory professional standards as established by the Chartered Institute of Public Finance (CIPFA).

6.3. International Standard on Auditing (ISA) 260 requires the external auditor to communicate matters of governance interest arising from the audit of the financial statements to those charged with governance.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Carbon and Climate Change

8.1. Not applicable

9. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

9.1. Not applicable.

[Fiona Alderman Assistant Director for Legal and Governance]

9.2. Assistant Director for Legal and Governance (Monitoring Officer) has been consulted on the content of this report and there are no legal implications.

Equalities

9.3. The Local Government Pension Scheme is a defined benefit open scheme enabling all employees of the Council to participate. The report's content has no direct impact on equality issues.

10. Use of Appendices

10.1. Draft 2023/24 Pension Fund Accounts

10.2. Draft HPF IAS 260

11. Local Government (Access to Information) Act 1985

11.1. Not applicable.

Haringey LONDON

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF HARINGEY

[TO BE INSERTED AT END OF AUDIT]

PENSION FUND

2023/24	Pension Fund Account	Note	2022/23
£000			£000
	Dealings with members, employers and others directly involved in the fund		
57,692	Contributions	7	56,043
8,923	Transfers in from other pension funds	8	5,938
66,615			61,981
(65,047)	Benefits	9	(56,232)
(12,328)	Payments to and on account of leavers	10	(5,617)
(77,375)			(61,849)
(10,760)	**Net additions/(withdrawals) from dealings with members**		**132**
(6,931)	Management expenses	11	(8,722)
(17,691)	**Net withdrawals including fund management expenses**		**(8,590)**
	Returns on Investments:		
21,549	Investment Income	12	19,232
-	Taxes on income		(3)
159,023	Profit and losses on disposal of investments and changes in market value of investments	13a	(105,790)
180,572	**Net return on investments**		**(86,561)**
162,881	**Net increase/decrease in the net assets available for benefits during the year**		**(95,151)**
1,708,178	**Opening net assets of the scheme**		**1,803,329**
1,871,059	**Closing net assets of the scheme**		**1,708,178**

2023/24	Net Assets Statement	Note	2022/23
£000			£000
150	Long Term Investments	13	150
1,878,532	Investment assets	13	1,709,824
(4,800)	Investment liabilities	13	-
1,873,882	**Total net investments**		**1,709,974**
1,657	Current assets	19	1,389
(4,480)	Current liabilities	20	(3,185)
1,871,059	**Net assets of the fund available to fund benefits at the end of the reporting period**		**1,708,178**

Notes to the Haringey Pension Fund Accounts for the year ended 31st March 2024

1. Description of the fund

The Haringey Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Haringey Council.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation.

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Haringey Council to provide pensions and other benefits for pensionable employees of Haringey Council, a range of other scheduled bodies, and admitted bodies within the London Borough of Haringey area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The fund is overseen by Haringey Pension Fund's Combined Pensions Committee and Board, which is a committee of Haringey Council.

b) Fund administration and membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the Haringey Pension Fund include the following:

- scheduled bodies, which are automatically entitled to be members of the fund.
- admitted bodies, which participate under the terms of an admission agreement between the fund and the employer. Admitted bodies include voluntary, charitable, and similar not-for-profit organisation, or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details of the Pension Fund are set out below:

Haringey Pension Fund	31 March 2024	31 March 2023
Number of employers	62	69
Number of employees in scheme		
Haringey Council	5,206	5,373
Other employers	1,093	977
Total	**6,299**	**6,350**
Number of pensioners		
Haringey Council	7,919	7,687
Other employers	987	946
Total	**8,906**	**8,633**
Deferred pensioners		
Haringey Council	9,172	9,392
Other employers	1,801	1,802
Total	**10,973**	**11,194**
Total number of members in pension scheme	**26,178**	**26,177**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employers' contributions are set based on triennial actuarial funding valuations. The valuation for the period to 31 March 2024 was carried out as at 31 March 2022. The primary employer contribution rate for the whole fund was 17.5%.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uplifted annually in line with the Consumer Prices Index inflation rate.

A range of other benefits are also provided included early retirement, disability pensions and death benefits, as explained on the LGPS website – see www.lgpsmember.org.

2. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2023/2024 financial year and its financial position at 31 March 2024. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting 2023/24* (the Code), which is based upon International Financial Reporting Standard (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 18.

3. Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body.

Additional employer contributions in respect of ill-health and early retirements are accounted for in the year the event rose. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years would be classed as long-term financial assets.

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund. Individual transfers in/out are accounted for when received or paid. Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment income

i. Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
ii. Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
iii. Changes in value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

e) Management expenses

The fund discloses its management expenses in line with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses* (2016), as show in the following table. All items of expenditure are charged to the fund on an accrual basis as follows:

Administrative expenses	All staff costs relating to the pensions administration team are charged directly to the fund. The Council recharges for management and legal costs which are also accounted for as administrative expenses of the fund.
Oversight and governance	All costs associated with governance and oversight are separately identified, apportioned to this activity, and charged as expenses to the fund.
Investment management expenses	Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted from, the reported return on investments. Where fees are netted off returns by investment managers, these are grossed up to increase the change in value of investments. Fees charged by external investment managers and the custodian are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under management and therefore increase or reduce as the value of the investments change throughout the year. In addition, the fund has agreed with Pantheon Ventures and BlackRock that an element of their fee be performance related.

f) Taxation

The fund is a registered public service scheme under Section 1 (1) of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Net assets statement

g) Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet completed at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 13. Any gains or losses on investment sales arising from changes in the fair value of the net asset are recognised in the fund account.

The values of investments as show in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 15). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

j) Loans and receivables

Financial assets classified as amortised cost are carried in the net asset statement at the value of outstanding principal receivable at the year-end date plus accrued interest.

k) Financial liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities related to investments trading at fair value. Any gains or losses arising from changes in the fair value of the liability's value, between the contract date, the year-end date, and the eventual settlement date, are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 18).

m) Additional voluntary contributions

The fund provides an additional voluntary contribution (AVC) scheme for its members. The assets of these AVCs are invested separately from those of the pension fund, and are therefore not included in the accounts in accordance with Section 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. However, this information is disclosed in Note 21 for informational purposes only.

n) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events.

A contingent liability arises where an event prior to the end of the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

4. Critical judgements in applying accounting policies

The Council has not applied any critical judgements in applying accounting policies in the preparation of the statement of accounts.

5. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends, and future expectations. However, actual outcomes could be different from assumptions and estimates made. The items in the net assets statement for which there is a significant risk of material adjustment the following year are as follows:

Items	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on several complete judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: • a 0.1% decrease in the discount rate would increase future pension liabilities by c. £29m (2%) • a 0.1% increase in earnings inflation would increase future pension benefits by c. £1m (0%) • a one-year increase in assumed life expectancy would increase future pension benefits by c. £69m (4%)

Items	Uncertainties	Effect if actual results differ from assumptions
Private equity investments (Note 14)	Private equity investments are valued at fair value in accordance with *International Private Equity and Venture Capital Valuation Guidelines* (December 2018). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. For the purposes of estimation, private equity investments include infrastructure and private debt.	Private equity investments are valued at £215m in the financial statements. There is a risk that this investment may be under- or overstated in the accounts by up to 5% i.e., an increase or decrease of approximately £11m.

6. Events after the reporting date

No significant events occurred after the reporting date.

7. Contributions receivable

2023/24		2022/23
£000	**By category**	**£000**
13,305	Employee contributions	12,483
	Employer contributions	
43,850	- Normal contributions	33,411
-	- Deficit recovery contributions	9,644
537	- Augmentation contributions	505
44,387	**Total employers' contributions**	**43,560**
57,692	**Total contributions receivable**	**56,043**

2023/24		2022/23
£000	**By type of employer**	**£000**
51,489	Administering authority	50,128
5,553	Scheduled bodies	4,900
650	Admitted bodies	1,015
57,692	**Total contributions receivable**	**56,043**

8. Transfers in from other pension funds

During 2023/24, there were transfers of £8.9 million into the Pension Fund, an increase compared to £5.9 million in 2022/23. These transfers all related to individuals.

9. Benefits payable

2023/24		2022/23
£000	**By category**	**£000**
52,380	Pensions	46,445
10,721	Commutation and lump sum retirement benefits	8,154
1,946	Lump sum death benefits	1,633
65,047	**Total benefits payable**	**56,232**

9. Benefits payable (continued)

2023/24		2022/23
£000	**By type of employer**	**£000**
57,747	Administering authority	50,367
5,143	Scheduled bodies	4,310
2,157	Admitted bodies	1,555
65,047	**Total benefits payable**	**56,232**

10. Payments to and on account of leavers

2023/24		2022/23
£000		**£000**
215	Refunds to members leaving service	116
12,113	Individual transfers	5,501
12,328	**Total**	**5,617**

11. Management Expenses

2023/24		2022/23
£000		**£000**
1,018	Administrative costs	1,847
5,651	Investment management expenses	6,559
262	Oversight and governance costs	316
6,931	**Total management expenses**	**8,722**

11a. Investment Management Expenses

2023/24		2022/23
£000		**£000**
4,738	Management Fees	5,722
529	Performance Related Fees	383
92	Custody fees	61
292	Transaction Fees	393
5,651	**Total**	**6,559**

12. Investment income

2023/24		2022/23
£000		**£000**
21,207	Pooled investments - unit trusts and other managed funds	19,084
342	Interest on cash deposits	148
21,549	**Total**	**19,232**

13. Investments

Market Value 31 March 2024		Market Value 31 March 2023
£000	**Investment assets**	£000
	Pooled funds	
837,719	Global equity	843,501
420,823	Fixed income unit trusts	240,878
141,154	Multi-asset absolute return fund	150,173
72,148	Infrastructure funds	61,542
1,471,844		**1,296,094**
	Other investments	
192,182	Pooled property investments	201,890
142,615	Private equity funds	134,535
34,478	Infrastructure debt funds	34,500
369,275		**370,925**
37,126	Cash deposits	42,639
287	Accrued Income	166
1,878,532	**Total investment assets**	**1,709,824**
	Long-term investments	
	UK unquoted equities	
150	Shares in London CIV	150
	Investment liabilities	
(4,800)	Payables for purchases	-
1,873,882	**Total net investment assets**	**1,709,974**

13a. Reconciliation of movements in investments and derivatives

2023/24	Value at 31st March 2023	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2024
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,667,019	192,902	(177,877)	159,075	1,841,119
Cash deposits	42,639	70,457	(75,920)	(50)	37,126
Other investment assets/ liabilities*	166	136	(4,813)	(2)	(4,513)
Total	**1,709,824**	**263,495**	**(258,610)**	**159,023**	**1,873,732**

2022/23	Value at 31st March 2022	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2023
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,758,620	74,042	(59,102)	(106,541)	1,667,019
Cash deposits	45,927	62,173	(66,200)	739	42,639
Other investment assets/ liabilities*	(616)	787	(17)	12	166
Total	**1,803,931**	**137,002**	**(125,319)**	**(105,790)**	**1,709,824**

13b. Investments analysed by fund manager

Market Value 31 March 2024 £000	%		Market Value 31 March 2023 £000	%
		Investments managed by London CIV asset pool:		
960,774	51.3	Legal & General Investment Management	943,001	55.2
141,154	7.5	LCIV Absolute Return	150,173	8.8
146,779	7.8	LCIV Multi-Asset Credit	141,379	8.3
36,819	2.0	LCIV Renewable Infrastructure	29,082	1.7
17,927	1.0	London Fund	18,190	1.1
150,998	8.1	LCIV Long Duration Buy and Maintain Credit Fund	-	0.0
1,454,451	**77.7**		**1,281,825**	**75.0**
		Investments managed outside of London CIV asset pool:		
142,615	7.6	Pantheon	134,535	7.9
99,824	5.3	CBRE Global Investors	103,110	6.0
84,887	4.5	Aviva Investors	90,536	5.3
34,478	1.8	Allianz Global Investors	34,500	2.0
20,053	1.1	BlackRock	20,377	1.2
15,276	0.8	CIP	12,084	0.7
22,148	1.2	In-house cash deposits*	32,857	1.9
419,281	**22.3**		**427,999**	**25.0**
1,873,732	**100.0**	**Total**	**1,709,824**	**100.0**

*In-house cash excludes non-discretionary cash managed by external managers. Any such cash is allocated to the respective asset manager.

The following investments represent over 5% of net assets of the fund.

Market Value 31 March 2024 £000	%		Market Value 31 March 2023 £000	%
358,473	19.1	LGIM MSCI World Low Carbon Index Fund	352,431	20.6
356,725	19.0	LGIM RAFI Multi Factor Climate Transition Fund	371,973	21.8
150,998	8.1	LCIV Long Duration Buy and Maintain Credit Fund	-	0.0
146,779	7.8	LCIV Multi-Asset Credit	141,379	8.3
141,154	7.5	LCIV Absolute Return Fund (Ruffer LLP)	150,173	8.8
123,056	6.6	LGIM Index Linked Gilts (Over 5 year) Fund	99,499	5.8
122,519	6.5	LGIM Bespoke Low Carbon Emerging Markets Fund	119,097	7.0
1,399,704	**74.6**	**Total**	**1,234,552**	**72.3**

14. Fair Value – Basis of valuation

All investment assets are valued using fair value techniques based in the characteristics of each instrument where possible, using market-based information. There has been no change in the valuation techniques used during the year.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds, and unit trusts.

Level 2 – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The valuation basis for each category of investment asset is set out below:

Description of asset	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 1			
Quoted equities and pooled fund investments	The published bid market price on the final day of the accounting period	Not required	Not Required

Description of asset	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 1			
Quoted fixed income bond and unit trusts	Quoted market value based on current yields	Not required	Not Required
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not Required
Amounts receivable from investment sales	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Investment debtors and creditors	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required

Description of asset	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 2			
Pooled property funds where regular trading takes place	Closing bid price where bid and offer prices are published; closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not Required
Unquoted fixed income bonds and unit trusts	Average broker prices	Evaluated price feeds	Not required

Description of asset	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 3			
Pooled property funds where regular trading does not take place	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Not required

Description of asset	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 3			
Shares in London CIV asset pool	Based on the historical cost at acquisition of shares	Not required	Not required
Other unquoted and private equities	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by changed to expected cashflows or by differences between audited and unaudited accounts.

Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described above for Level 3 investments are expected to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024.

	Potential variation in fair value	Valuation as at 31 March 2024	Value on Increase	Value on Decrease
		£000	£000	£000
Pooled property investments	2%	102,802	104,858	100,746
Private equity and joint venture funds	5%	142,615	149,746	135,484
Infrastructure funds	5%	72,148	75,755	68,541
Total		**317,565**	**330,359**	**304,771**

14a. Fair value hierarchy

The following table provides an analysis of the assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values as at 31 March 2024	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets / liabilities at fair value through profit and loss				
Pooled investments	1,399,696	34,478	72,148	1,506,322
Pooled property investments	-	89,380	102,802	192,182
Private equity	-	-	142,615	142,615
Cash deposits	37,126	-	-	37,126
Accrued income	287	-	-	287
Payables for investment purchases	(4,800)	-	-	(4,800)
Total	**1,432,309**	**123,858**	**317,565**	**1,873,732**

Values as at 31 March 2023	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets / liabilities at fair value through profit and loss				
Pooled investments	1,234,552	34,500	61,542	1,330,594
Pooled property investments	-	93,165	108,725	201,890
Private equity	-	-	134,535	134,535
Cash deposits	42,639	-	-	42,639
Accrued income	166	-	-	166
Payables for investment purchases	-	-	-	-
Total	**1,277,357**	**127,665**	**304,802**	**1,709,824**

14b. Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year.

14c. Reconciliation of fair value measurements within level 3

2023/24	Value at 1st April 2023	Purchases in the year	Sales in the year	Unrealised gains (losses)	Realised gains (losses)	Value at 31st March 2024
	£000	£000	£000	£000	£000	£000
Pooled UK property unit trusts	108,726	4,162	(4,903)	(5,183)	-	102,802
Private Equity	134,535	10,771	(7,109)	(1,047)	5,465	142,615
Infrastructure	61,542	16,464	(3,703)	(2,439)	284	72,148
Total	**304,803**	**31,397**	**(15,715)**	**(8,669)**	**5,749**	**317,565**

15. Classification of financial instruments

	31 March 2024		
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	£000	£000	£000
Financial assets			
Pooled investments	1,506,322		
Pooled property investments	192,182		
Private equity	142,615		
Equities		150	
Cash	31,295	5,831	
Debtors		1,657	
Other investment balances		287	
Total financial assets	**1,872,414**	**7,925**	**-**
Financial liabilities			
Other investment balances			(4,800)
Creditors			(4,480)
Total financial liabilities	**-**	**-**	**(9,280)**
Grand total	**1,872,414**	**7,925**	**(9,280)**

	31 March 2023		
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	£000	£000	£000
Financial assets			
Pooled investments	1,330,594		
Pooled property investments	201,890		
Private equity	134,535		
Equities		150	
Cash	30,431	12,208	
Debtors		1,389	
Other investment balances		166	
Total financial assets	**1,697,450**	**13,913**	**-**
Financial liabilities			
Other investment balances			
Creditors			(3,185)
Total financial liabilities	**-**	**-**	**(3,185)**
Grand total	**1,697,450**	**13,913**	**(3,185)**

15a. Net gains and losses on financial instruments

All realised gains and losses arise from the sale or disposal of financial assets that have been derecognised in the financial statements. The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

2023/24		2022/23
£000		£000
	Financial Assets	
159,075	Fair value through profit or loss	(106,541)
(52)	Financial assets and liabilities at amortised cost	751
159,023		(105,790)

16. Nature and extent of risks arising from Financial Instruments

Risk and risk management

The fund's primary long-term risk is that its assets will fall short of its liabilities (i.e., promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the pension fund's Combined Committee and Board. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations, then reviewed regularly to reflect changes in activity and market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements, and the overall asset mix. The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio's strategic asset allocation across different asset classes, industry sectors, and jurisdictions. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis on a regular basis. The strategic asset allocation is reviewed each quarter and any significant deviations from this are rebalanced as appropriate.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate because of change in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or by factors affect all such instruments in the market.

The fund is exposed to share price risk. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

Other price risk – sensitivity analysis

A significant portion of the pension fund's assets are invested in pooled investment vehicles with underlying assets which can fluctuate daily as market prices change. To demonstrate the impact of this volatility, the table below shows the impact of potential price changes based on the observed historical volatility of asset class returns. The assessment of the potential volatilities is consistent with a one standard deviation movement in the change in value of assets over the last three years.

As at 31 March 2024	Value	% change	Value on increase	Value on decrease
	£000	**%**	**£000**	**£000**
Overseas equities	960,774	12.0	1,076,067	845,481
Fixed Income	438,931	11.9	491,164	386,698
Property	187,631	6.3	199,452	175,810
Alternatives	249,241	16.5	290,366	208,116
Cash	37,155	0.0	37,155	37,155
Total Assets	**1,873,732**		**2,094,203**	**1,653,261**

As at 31 March 2023	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	993,675	26.4	1,255,510	731,840
Fixed Income	240,878	12.2	270,203	211,553
Property	202,012	4.1	210,346	193,678
Alternatives	230,578	10.3	254,421	206,735
`Cash	42,681	0.0	42,681	42,681
Total Assets	**1,709,824**		**2,033,160**	**1,386,488**

Interest rate risk

The fund recognises that interest rates can vary and can affect both income into the fund and the carrying value of fund assets, both of which affect the value of net assets available to pay benefits. A 100-basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy.

Interest rate risk – sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/– 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk:

	Interest earned 2023/24	Interest rate if 1% higher	Interest rate if 1% lower
	£000	**£000**	**£000**
Cash deposits	342	407	233
Total	**342**	**407**	**233**

	Interest earned 2022/23	Interest rate if 1% higher	Interest rate if 1% lower
	£000	**£000**	**£000**
Cash deposits	148	220	76
Total	**148**	**220**	**76**

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. The table below demonstrates how a 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Currency risk – sensitivity analysis

As at 31 March 2024	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	480,900	10.0	528,990	432,810
Fixed Income	146,779	10.0	161,457	132,101
Private equity	142,615	10.0	156,877	128,354
Infrastructure	35,329	10.0	38,862	31,796
Cash	5,416	10.0	5,958	4,874
Total Assets	**811,039**	**10.0**	**892,144**	**729,935**

As at 31 March 2023	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	482,112	10.0	546,671	447,277
Fixed Income	141,379	10.0	168,697	138,025
Private equity	134,535	10.0	135,403	110,785
Infrastructure	32,461	10.0	38,475	31,480
Cash	14,610	10.0	21,856	17,883
Total Assets	**805,097**	**10.0**	**911,102**	**745,450**

b) Credit risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The pension fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2024 were received within the first two months of the financial year.

Money market funds and bank accounts all have AAA rating from a leading ratings agency, and the pension fund has experienced no defaults from fund managers, brokers or bank accounts over the past five years.

Summary	Credit Rating	Balances at 31 March 2024	Balances at 31 March 2023
		£000	£000
Money Market Funds			
Blackrock institutional sterling liquidity fund	AAA	780	5,000
Invesco liquidity fund	AAA	5,000	5,000
Bank current accounts			
Northern Trust	A+	31,295	30,473
Barclays Bank plc	A+	51	2,208
Total		**37,126**	**42,681**

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The pension fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The fund's policy is to maintain a minimum balance of £5m immediately available in the current accounts or Money Market Funds.

The fund also has access to an overdraft facility for short-term cash needs (up to seven days), in order to cover any timing differences on pension payments. The fund has not used this facility since 2015.

Refinancing risk

The key risk is that the pension fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The pension fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

17. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013 the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contributions rates for the forthcoming triennial period. The pensions fund accounts for the period were based on the most recent valuation which took place as at 31 March 2022.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, using a long-term prudent view i.e., that sufficient funds are available to meet all members'/dependants' as they fall due for payment.
- to ensure that employer contribution rates are reasonably stable where appropriate.
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
- to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so.
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years but, in some cases, a maximum period of 12 years can be granted. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable. When an employer's funding level is less than 10% of the 100% funding target, then a deficit recovery plan will be put in place requiring additional employer contributions.

At the 2022 actuarial valuation, the fund was assessed as 113% funded (100% at the March 2019 valuation). Contribution increases will be phased in over the three-year period ending 31 March 2026 for both scheme employers and admitted bodies.

The whole-fund primary contribution rate was due to decrease over a three-year period from 18.6% to 17.5% of pensionable pay. However, each employer will be different, and the primary contribution rate will reflect the membership and experiences of each employer.

In addition to the primary contribution rate, most employers also pay a secondary contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2022 actuarial valuation report and the funding strategy statement on the fund's website.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement, or withdrawal from service. The principal assumptions were as follows.

Financial assumptions

Future assumed rates	31-Mar-22	31-Mar-19
	%	%
Discount rate (annual nominal return rate)	4.3	4.2
Pay increase (annual change)*	3.7	3.3
Benefit increase (CPI)	2.7	2.3

Demographic assumptions

The assumed life expectancy from 65 is as follows:

Life expectancy from age 65		31-Mar-24	31-Mar-23
Retiring today	Males	21.2	21.3
	Females	24.0	24.0
Retiring in 20 years	Males	22.5	22.6
	Females	25.6	25.3

18. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year but taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 17). The actuary has also valued ill health and death benefits in line with IAS 19.

31 Mar 24		31 Mar 23
£000		**£000**
(1,725,000)	Present Value of promised retirement benefits	(1,685,000)
1,871,058	Fair Value of scheme assets	1,708,178
146,058	**Net (liability)/asset**	**23,178**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see Note 17) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Other key assumptions used are:

	31-Mar-24	31-Mar-23
	%	%
Pension increase rate (CPI)	2.8	2.95
Salary increase rate	3.8	3.95
Discount rate	4.8	4.75

19. Current assets

31/03/2024		31/03/2023
£000		£000
94	Contributions due - employees	128
1,081	Contributions due - employers	908
482	Sundry debtors	353
1,657		**1,389**

20. Current liabilities

31/03/2024		31/03/2023
£000		£000
2,924	Sundry creditors	2,382
1,556	Benefits payable	803
4,480		**3,185**

21. Additional Voluntary Contributions ("AVCs")

	Contributions Paid 2023/24	Market Value 31 March 2024
	£000	£000
Utmost life and pensions	-	188
Prudential assurance	269	1,182
Clerical and medical	-	17

	Contributions Paid 2022/23	Market Value 31 March 2023
	£000	£000
Utmost life and pensions	83	195
Prudential assurance	262	1,053
Clerical and medical	1	17

22. Related party transactions

Haringey Council

The Haringey Pension Fund is administered by Haringey Council. During the reporting period, the council incurred costs of £0.835m (2022/23 £0.885m) in relation to the administration and management of the fund and was reimbursed by the fund for these expenses.

The Council is also the single largest employer of members of the pension fund. As at 31 March 2024, an amount of £0.305m was due from the fund to the Council.

Each member of the pension fund's Combined Pensions Committee and Board is required to declare their interests at each meeting. Two members of the Combined Pensions Committee and Board were scheme members in the Haringey Pension Fund.

23. Key management personnel

Key management personnel are the Section 151 Officer and the head of pensions. Their remuneration is set out below:

31/03/2024	Key Management Personnel	31/03/2023
£000		£000
28	Short - term benefits	25
6	Post-employment benefits	6
34		31

24. Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2024 were £105.4m. These commitments relate to outstanding capital call payments due on limited partnership funds held within the private equity and infrastructure portion of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

31 Mar 24		31 Mar 23
£000		**£000**
33,756	Pantheon Ventures	43,906
33,975	LCIV Renewable Fud	42,852
22,295	LCIV London Fund	26,452
13,562	Copenhagen Infrastructure Partners	15,669
1,776	Blackrock	2,410
105,364	**Total**	**131,289**

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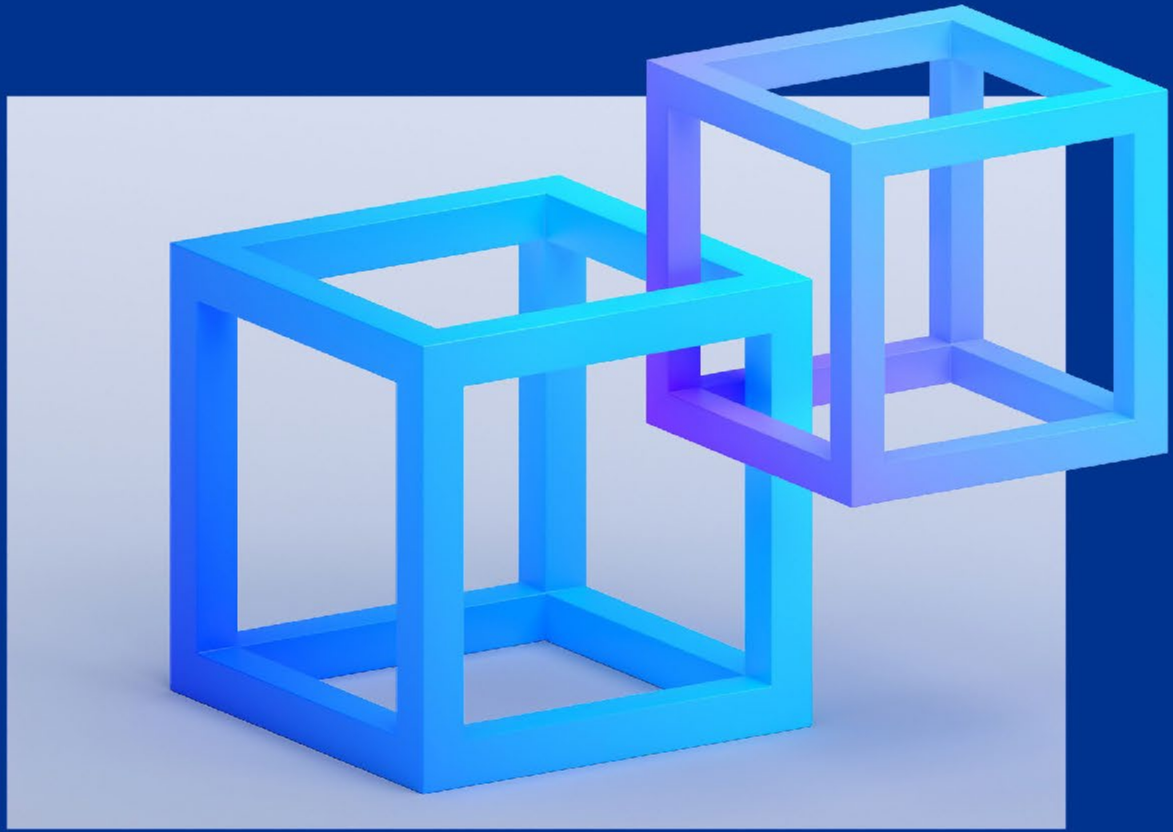
Haringey Pension Fund



Draft report to the Audit Committee of London Borough of Haringey Council

Year end report for the year ended 31 March 2024

—

27 January 2025

Introduction

To the Audit Committee of London Borough of Haringey

We are pleased to have the opportunity to meet with you on 27 January 2025 to discuss the draft results of our audit of the financial statements of Haringey Pension Fund, as at and for the year ended 31 March 2024.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions.

This report should be read in conjunction with our audit plan and strategy report, presented on 25 July 2024 in Pension Committee and Board meeting.

We will be pleased to further elaborate on the matters covered in this report when we meet.

Contents

Status of our Audit

Subject to the Administering Authority's approval, we expect to be in a position to sign our audit opinion on the financial statements once the audit of the council is complete, provided that the outstanding matters noted on 4 of this report are satisfactorily resolved.

There have been no significant changes to our audit plan and strategy. We expect to issue a modified Auditor's Report due to disclaimer of opinion by the predecessor auditor on the prior year accounts. As of now, we are consulting internally with our technical teams to determine the sufficiency and appropriateness of audit evidences obtained on the opening balances.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Restrictions on distribution of this report

Yours sincerely,

Tim Cutler

Partner

KPMG LLP

27 January 2025

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions. We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management; and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

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Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

Circulation of this report is restricted.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Haringey Pension Fund (the 'Fund'), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Administering Authority's Audit Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication on 25 July 2024 in the Pension Committee and Board meeting.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Fund's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 4, 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit Committee the Administering Authority and Pensions Committee and Board of the Pension Fund; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Our audit findings

Significant audit risks	Page 6-7
Significant audit risks	**Our findings**
Management override of controls	Our testing is on-going currently due to delay in obtaining evidences for the testing of journals. To date we have not found any reportable misstatements or indicators of fraud in our testing. We have found a control deficiency in the journals process which is documented on page refer 24
Key accounting estimates	**Page 10-12**
Valuation of level 1 & 2 pooled investment vehicles and segregated investments	We do not note any deviations in valuation that were outside our acceptable range. We found the valuation of these investments appropriate.
Valuation of level 3 pooled investment vehicles	We found valuation of these investment based on unaudited NAV as appropriate.

Number of Control deficiencies	Page 28
Severity	**Priority**
Other control deficiencies	2

Expenditure recognition

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

Expenditure in a pension scheme equates to payments to members and management expenses. There are no subjective issues concerning when expenses need to be recognised. Amounts involved cannot easily be manipulated through accounting policies, timing or other policies. There is little incentive for the Fund to manipulate the financial reporting of expenses. Therefore, in the absence of specific fraud risk factors, there is no risk of fraudulent financial reporting arising from the manipulation of expenditure recognition for the Fund.

Outstanding matters

Our audit is substantially complete except for the following outstanding matters:

- Journals testing
- Opening balances testing
- Material post close journals testing;
- Queries arising subject to RI review;
- Any relevant issues arising from the audit of the Administering authority;
- Management representation letter;
- Signed financial statements; and
- Finalise audit report and sign.

Significant risks and other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the Haringey Pension Fund, the industry and the wider economic environment in which the Pension Fund operates.

We also use our regular meetings with senior management to update our understanding and take input from component audit teams and internal audit reports.

In the Audit Plan we stated, that due to the levels of economic uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. We further stated that we would amend our audit approach accordingly and communicate this to the Audit Committee and Pension Committee and Board. We note we have not identified any such matters.

Significant risks

1 Management override of controls

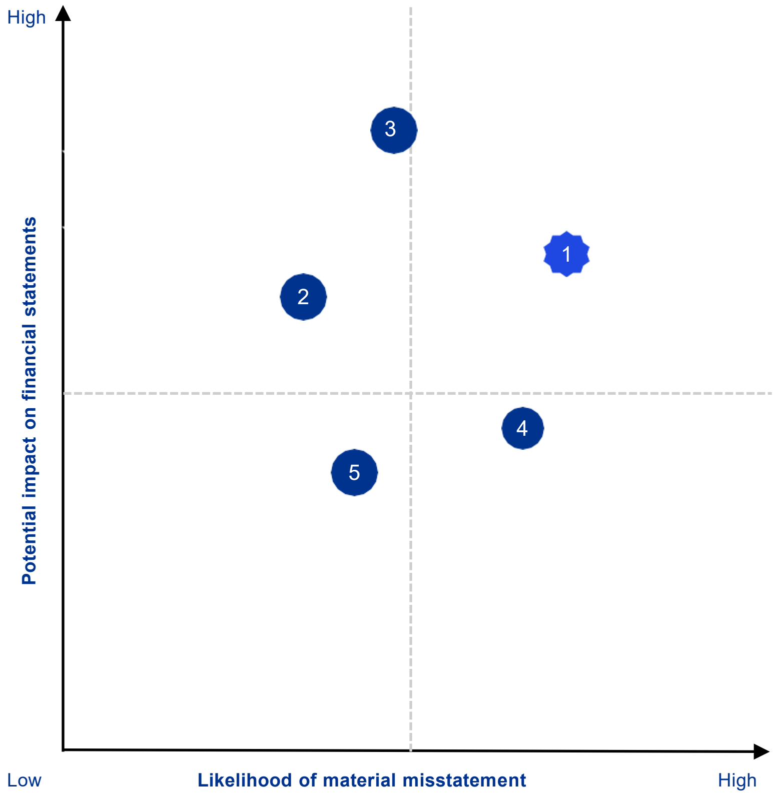
Other audit risks

2 Level 1, 2 and 3 investments are not complete, do not exist or are not accurately recorded

3 Valuation of Level 1, 2 and Level 3 investments is misstated

4 Contributions into the Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Fund's Rates and Adjustments Schedule

5 The actuarial position of the scheme is not appropriately presented in the financial statements



KEY

1 Presumed significant risk

2 Other audit risks

Audit risks and our audit approach

1 Management override of controls[a]

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- As part of our planning risk assessment procedures we identified that the Pension Fund does not have enforced segregation of duty controls over the posting of journals, we will therefore not seek to take a controls-based approach when designing procedures to provide assurance over this risk.

Planned response

- As part of our audit business or we gained an understanding of the financial reporting process.
- Our audit methodology incorporates the risk of management override of controls as a default significant risk.
- In line with our methodology, we evaluated the design and implementation of controls over journal entries and post-closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the normal course of business or are otherwise unusual.
- Evaluated the selection and application of accounting policies.
- Analysed all journals through the year using data and analytics and focus our testing on those with a higher risk.
- With regards to the financial reporting and journals process, we performed the following over journal entries and other adjustments:
  - Evaluated the completeness of the population of journal entries.
  - We determined high risk criteria and selected journals based on this criteria for testing.

Note: (a) Significant risk that professional standards require us to assess in all cases.

DRAFT

Audit risks and our audit approach (cont.)

1 Management override of controls[a]

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- As part of our planning risk assessment procedures we identified that the Pension Fund does not have enforced segregation of duty controls over the posting of journals, we will therefore not seek to take a controls-based approach when designing procedures to provide assurance over this risk.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Our findings

- Our testing is ongoing. We have completed our screening of journals and testing of journals is on going for which further evidences have been requested from management.
- We have noted a control deficiency with respect to segregation of duties for journals. Please refer page 24 for further details.
- To date we have not identified any indicators of management override of controls. We will provide a verbal update in the meeting.

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Audit risks and our audit approach (cont.)

2 Level 1, 2 and 3 investments are not complete, do not exist or are not accurately recorded

Other audit risk

- Level 1, 2 and Level 3 investments are not complete, do not exist or are not accurately recorded.
- Investments are held to pay benefits of the Haringey Pension Fund. They are held with a number of investment managers across multiple asset classes. The investments are material to the financial statements (99.9% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a risk of material misstatement relating to completeness, existence and accuracy as there has been a number of investment transitions in the year between investment managers, due to rebalancing of the portfolio based on the Pension Committee's decision to align the portfolio with the Investment Strategy Statement.

Planned response

- As part of our audit procedures we gained an understanding of the processes over the completeness, existence and accuracy of Level 1, 2 and 3 investments. This includes gaining an understanding of the control environment at all the investment managers and Northern Trust (custodian) by reviewing their internal controls reports to identify any control deficiencies that would impact our audit approach (where available).
- We obtained direct confirmations from your custodian and all your investment managers to vouch the holdings and valuation of assets at the year end.
- We vouched purchases and sales to investment manager and/or custodian reports.
- We recalculated change in market value and compare this to the overall investment return stated in the Pension Committeeand Board's report for consistency with the amounts reported in the financial statements. We will investigate any material deviations.

Audit risks and our audit approach (cont.)

2 Level 1, 2 and 3 investments are not complete, do not exist or are not accurately recorded

Other audit risk

- Level 1, 2 and Level 3 investments are not complete, do not exist or are not accurately recorded.
- Investments are held to pay benefits of the Haringey Pension Fund. They are held with a number of investment managers across multiple asset classes. The investments are material to the financial statements (99.9% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a risk of material misstatement relating to completeness, existence and accuracy as there has been a number of investment transitions in the year between investment managers, due to rebalancing of the portfolio based on the Pension Committee and Board's decision to align the portfolio with the Investment Strategy Statement.

Our findings

- Where available, we obtained the internal controls report of investment managers and Northern Trust and reviewed these reports to identify any control deficiencies that would impact our audit approach. No issues were identified that impact our planned audit response.
- We obtained direct confirmation from the investment managers and the custodian to vouch the holdings and valuation of assets at year-end. We noted a misstatement in the opening and closing balance of investments taken by management and balances confirmed by the fund manager. The misstatement noted is below our materiality threshold and management are currently investigating if these needs to be corrected. Please refer page 23 for uncorrected misstatement.
- We vouched the purchases and sales during the year to investment manager and custodian reports, and do not note any issues.
- We recalculated the change in market value and compared the overall investment return as stated in Pension's Committee and Board's report. No issues were noted.

Audit risks and our audit approach (cont.)

3 Valuation of Level 1, 2 and other Level 3 investments is misstated

Other audit risk

- The fair value of level 1, 2 and 3 investments is not measured appropriately.
- Investments are held to pay benefits of the Haringey Pension Fund. They are held with a number of investment managers across multiple asset classes. The investments are material to the financial statements (100.2% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a risk of material misstatement relating to fair values of level 1 and 2 segregated and pooled investments which amounted to £1.556bn as at 31 March 2024 (PY: £1.405bn), due to the estimation uncertainty resulting from the pricing of these investments.
- There is a risk of material misstatement relating to fair values of level 3 pooled investments which amounted to £317.57mn as at 31 March 2024 (PY: £304.80mn), due to the estimation uncertainty resulting from unobservable inputs to these investments.

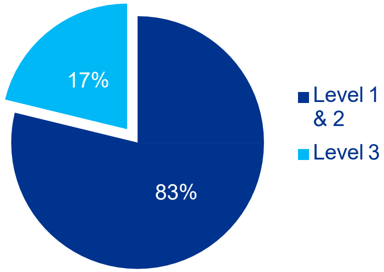
Planned response

Our approach in relation to valuation for different types of investmentsis as follows:

- **Segregated financial instruments** Our in-house investment valuation team, iRADAR, was engaged to independently revalue segregated securities and over the counter (OTC) derivative prices and identify stale price issues of directly held financial instruments within the investment portfolio as well as any exposures to hard to value assets.
- **Level 1 & 2 Pooled Investment Vehicles:** We recalculated the value of the Level 1 and 2 pooled investments by using our internal valuation specialist.
- **Level 3 pooled investment vehicles:** For each Level 3 pooled investment vehicle investment manager, as part of our audit procedures we assess the work of the investment manager for use as audit evidence;
- We obtained the unaudited Net Asset Value ('NAV') Statement at (or closest to) the measurement date and vouch the valuation to this.
- We further assessed the reliability of the NAV statements produced by fund managers on a sample basis by :
  - Obtaining and inspecting the latest audited financial statements for the underlying funds where available;
  - Inspecting the audit report to confirm that it is unqualified and that the audit has been carried out by a reputable audit firm; and
  - Comparing the unaudited pricing information at the year end to the audited financial statements valuation. Where the audited financial statements are not as at the Fund year end date, we will agree them to unaudited pricing information at that date and reconcile significant movements to the Fund year end date agreeing movements to transaction statements.

Audit risks and our audit approach (cont.)

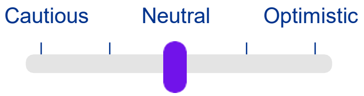
Level 1 & 2 Investments



Type of security	Market value 2024 (£m)	Percentage of portfolio 2024%	Market value 2023 (£m)	Percentage of portfolio 2023%
Pooled Investment Vehicles	1,556.17	83.1%	1,405.02	82.2%
Total	1,556.17	83.1%	1,405.02	82.2%

Our findings

Type of security	Our findings
Pooled investment vehicles	Our in-house investment valuation team, iRadar, has tested the fair values of segregated financial instruments, and level 1 & 2 pooled investment vehicles, and do not note any deviation outside our acceptable range. We found the valuation of these investments appropriate. We have not noted any changes in method and underlying assumptions used to prepare accounting estimates related to valuation of level 1 and level 2 investments. We have not noted any possible bias relating to judgements and decisions in making accounting estimates related to valuation of level 1 and level 2 investments.



Key:
Current year

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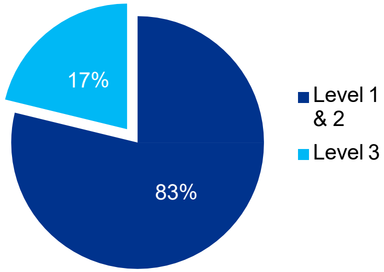
Audit risks and our audit approach (cont.)

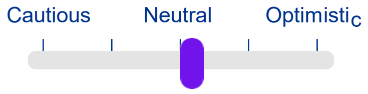
Level 3 Investments



Type of security	Market value 2024 (£m)	Percentage of portfolio 2024%	Market value 2023 (£m)	Percentage of portfolio 2023%
Pooled Investment Vehicles	317.57	16.9%	304.80	17.8%
Total	317.57	16.9%	304.80	17.8%

Our findings

Type of security	Our findings
Pooled investment vehicles	• For level 3 pooled investment vehicles, we have vouched the valuations considered by management to the unaudited NAV statement. We found valuation of these investment based on unaudited NAV as appropriate. • We further assessed the reliability of the unaudited NAV statements provided by the investment manager by obtaining latest audited financial statements of fund and comparing with the unaudited NAV statement that aligns with the latest audited financial statements of fund. No issues were noted. • We have not noted any changes in method and underlying assumptions used to prepare accounting estimates related to valuation of level 3 investments. • We have not noted any possible bias relating to judgements and decisions in making accounting estimates related to valuation of level 3 investments.



Key:
Current year

Audit risks and our audit approach (cont.)

4 Contributions into the Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Fund's Rates and Adjustments Schedule

Other audit risk

- Contributions into the Pension Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Rates and Adjustments Schedule.
- Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Revenue in a pension fund equates to contributions income. This revenue is recognized based on specific instructions as set out in the appropriate schedule(s). There are no subjective issues concerning when contributions need to be recognized. Amounts involved cannot easily be manipulated through accounting policies, issue of credit notes, timing or other policies. There is little incentive for the Pension Fund's management to manipulate the financial reporting of contributions. Therefore, in the absence of specific fraud risk factors, the presumption that fraudulent revenue recognition is a significant risk is rebutted for pension fund audits.

Planned response

As part of our audit procedures, we gained an understanding of the processes over the contribution payment arrangements between the admitted and scheduled bodies and administering authority, and also the effectiveness of the Pension Fund's contribution monitoring arrangements.

As part of risk assessment procedures, we carried out re-performance checks for a selection of members on normal employee and employer contributions by reference to their pensionable salary and rates.

Our audit procedures over contributions included:

- Inspecting that deficit funding contributions are received into the Pension Fund in accordance with the rates and adjustments schedule;
- For a risk-based sample of admitted bodies we inspected whether contributions are received into the Pension Fund on a timely basis under the requirements through vouching contributions received to bank statements;
- Developed an expectation of the normal employer and employee contributions receivable in the year reflecting changes in active members in the year, increases in pensionable salary and any changes in the contributions rates in the year and compare these to actual employer and employee contributions received in the year; and
- Vouch that there are 12 months receipt in the year and assessing the trend of such receipts.

Audit risks and our audit approach (cont.)

4 Contributions into the Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Fund's Rates and Adjustments Schedule

Other audit risk

- Contributions into the Pension Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Rates and Adjustments Schedule.
- Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Revenue in a pension fund equates to contributions income. This revenue is recognized based on specific instructions as set out in the appropriate schedule(s). There are no subjective issues concerning when contributions need to be recognized. Amounts involved cannot easily be manipulated through accounting policies, issue of credit notes, timing or other policies. There is little incentive for the Pension Fund's management to manipulate the financial reporting of contributions. Therefore, in the absence of specific fraud risk factors, the presumption that fraudulent revenue recognition is a significant risk is rebutted for pension fund audits.

Our findings

- We assessed the trend of contributions over 12 months and do not note unusual movements on monthly basis.
- We vouched the deficit funding deficit funding contributions and found that these are received into the Pension Fund in accordance with the rates and adjustmentsschedule.
- For a sample of contributions received from admitted bodies we vouched if these received on a timely basis and do not note any issues.
- For a sample of employers, we vouched the contributions to ensure that there are 12 months receipt in the year.
- We developed an expectation of the normal employer and employee contributions receivable in the year reflecting changes in active members in the year, increases in pensionable salary and any changes in the contributions rates in the year and compared these to actual employer and employee contributions received in the year. We noted that the difference between our expectation and actual contributions is below our acceptable threshold and therefore are satisfied this provides appropriate audit evidence.

Audit risks and our audit approach (cont.)

5 The actuarial position of the scheme is not appropriately presented in the financial statements

Other audit risk

- The actuarial position of the scheme is not appropriately presented in the financial statements.
- The actuarial position is not recognised on the Statement of Net Assets but is disclosed in the Notes.
- The value of the liability is an estimate involving the selection of appropriate actuarial assumptions, most notably the discount rate applied to the Fund's liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective.

Planned response

We performed the following procedures:

- Understand the processes in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuary to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the Fund's actuary to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Test the data provided used within the calculation of the Fund valuation; and
- Evaluate, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data.

DRAFT

Audit risks and our audit approach (cont.)

5 The actuarial position of the Funds is not appropriately presented in the financial statements

Other audit risk

- The actuarial position of the scheme is not appropriately presented in the financial statements.
- The actuarial position is not recognised on the Statement of Net Assets but is disclosed in the Notes.
- The value of the liability is an estimate involving the selection of appropriate actuarial assumptions, most notably the discount rate applied to the Fund's liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective.

Our findings

- We evaluated the competency, objectivity of the actuary to confirm their qualifications and the basis for their calculations and found these to be appropriate.
- We performed inquiries of the Fund's actuary to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets.
- We tested the data provided used within the calculation of the Fund valuation and noted no issues. Please see earlier pages for results after testing contributions and benefit payments.
- We evaluated, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data. We note that overall as well as individual assumptions used for valuation are balanced and within our reasonable range. The methodology for valuation as well as setting individual assumptions is noted to be compliant with IAS 26.

Other matters

Annual report

The Pension Fund annual report will be issued later than the financial statements. We will consider whether there is a material inconsistency between this information included in the annual report and the financial statements, or with our knowledge obtained in the audit; or whether this information appears to be materially misstated.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

We have not completed any non-auditwork at the Fund during the year.

Audit Fees

Our PSAA prescribed 2023/24 audit scale fee for the audit was **£76,891** plus VAT (N/A in 2022/23).

The scale fees agreed with the PSAA did not take into account the impact of ISA315 (Revised). We have agreed a fee variation of **£6,420** plus VAT with you in respect of ISA351R. We are awaiting PSAA approval before invoicing this amount.

Quality and timeliness of information prepared by management/those charged with governance

In our view, the quality of information:

- Supported our ability to understand key decisions better and obtain sufficient audit evidence
- Enabled informed challenge of managementdecisions
- Supported audit quality and better disclosure.
- Some delays were noted in obtaining sufficient and appropriate audit evidences due to change in officers providing the information.

There was no impact on our audit opinion of the above issues.

Appendices

Contents

Required communications

Type	Response
Our draft management representation letter OK	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
Adjusted audit differences OK	There were nil adjusted audit differences.
Unadjusted audit differences OK	The unadjusted audit differences are reported on page 22
Related parties	We have noted deficiency in the internal controls regarding identification of the related parties. See page 24
Other matters warranting attention by the Audit Committee OK	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies OK	We communicated to management all deficiencies in internal control over financial reporting during the audit and these are included in this report as well – please see page 28.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts OK	No actual or suspected fraud involving Fund management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Make a referral to the regulator OK	We have not identified any such matters.
Issue a report in the public interest OK	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties OK	No significant difficulties were encountered during the audit.
Modifications to auditor's report OK	We are in the process of internal consultation to determine the modification in our report due to disclaimer of opinion in prior 3 years.
Disagreements with management or scope limitations OK	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information OK	Till date, no material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. Please note the review is still on-going.The Strategic report is fair, balanced and comprehensive, and complies with the law. Please note the review is still on-going.
Breaches of independence OK	No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.
Accounting practices OK	Over the course of our audit, we have evaluated the appropriateness of the Fund's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management OK	No such matters have arisen during audit. Please note the audit is still on-going.
Certify the audit as complete	We will only be able to certify the audit as closed once we have completed our work.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit Committee members of the London Borough of Haringey

Assessment of our objectivity and independence as auditor of Haringey Pension Fund

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

The conclusion of the audit engagement partner as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate is subject to review by an engagement quality control reviewer, who is a director not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

No non-audit services have been provided to the Fund during the year ended 31 March 2024 and we have not committed to providing any such services.

We have considered the fees charged by us to the Pension Fund and its affiliates for professional services provided by us during the reporting period.

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Confirmation of Independence

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.0: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	77
Other Assurance Services	0
ISA 315R	6
Audit delays	TBC
Total Fees	**TBC**

Application of the FRC Ethical Standard 2019

The predecessor auditors have communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee of the Council, Pension Board and Pension Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the Council, Pensions Board and Pensions Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

KPMG LLP

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Uncorrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee and Pension Committee and Board with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are ‘clearly trivial’, which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor’s report, individually or in aggregate. As communicated previously with the Audit Committee and Pension Committee and Board meeting, details of all adjustments greater than £855K are shown below:

Uncorrected audit differences (£’000s)				
No.	**Detail**	**Fund Account Dr/(Cr)**	**Net Asset Statement Dr/(Cr)**	**Comments**
1	Dr Investments Cr Change in Market Value	£1,060,00	£1,060,00	This misstatement is because the values taken by management was from the custodian which were based on latest available valuations as at 31 March i.e. valuation as at 30 Sept. Whereas KPMG obtained valuations from fund manager as at 31 March 2024.
2	Dr Investments (PY) Cr Change in Market Value (PY)	£3,173,000	£3,173,000	This misstatement is because the values taken by management was from the custodian which were based on latest available valuations as at 31 March i.e. valuation as at 30 Sept. Whereas KPMG obtained valuations from fund manager as at 31 March 2023.
Total		£4,233,000	£4,233,000	

Corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee and Pension Committee and Board with a summary of corrected audit differences (including disclosures) identified during the course of our audit. We have noted below as corrected audit misstatement.

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations					
❶	**Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷	**Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately, but the weakness remains in the system.	❸	**Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
1	❷	Disclosure of interest made by the Pension Committee members is inadequate. We identified that the Disclosure of interest filed by the Pension Committee members is not as per the requirements of the applicable financial reporting framework. Instead, it is as per the pensions regulations therefore, it fails to identify all the related parties of the Pension Fund.	Management acknowledges and agrees with the findings. While the current disclosure of interest policy complies with pension regulations, we concur that adopting a more prudent approach to align these disclosures with the financial reporting framework is prudent. The Head of Pensions will be responsible for updating the disclosure policies by September 2025.
2	❷	Journals below £40,000 are not required to be approved by another person. There is park and post control in place at Haringey Pension Fund which is for segregation of duties. The control requires that journals are made and approved by different individuals. However, during our testing of the journals process we observed that this control is not required for journals below £40,000. This poses a risk of misstatement in the financial statements whether due to error or fraud as the journals below £40,000 can be posted unapproved. We recommend management make the park and post control applicable for all journals and not just those above £40,000 as well.	TBC
3	❸	Inappropriate review of investments We identified a misstatement in the opening and closing balances of investments as noted earlier on page 22. This is because the values taken by management was from the custodian which were based on latest available valuations as at 31 March i.e. valuation as at 30 Sept. Whereas KPMG obtained valuations from fund manager as at 31 March 2024.We note that the process for quarterly reconciliation of investments from fund manager and custodian was not effective.	TBC

Opening Balances Procedures

As at the date of this report, we are yet to conclude on the sufficiency and appropriateness of audit evidences on the opening balances due to the disclaimer of an audit opinion on the prior years' financial statements by the predecessor auditor. Further, we are not able to review the file of the predecessor auditor at the time of drafting the document. We will update verbally in the meeting any further updates.

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

- ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements* included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.
- We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the 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.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on page 6 and 7. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements* , 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:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every engagement lead and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

Commitment to continuous improvement

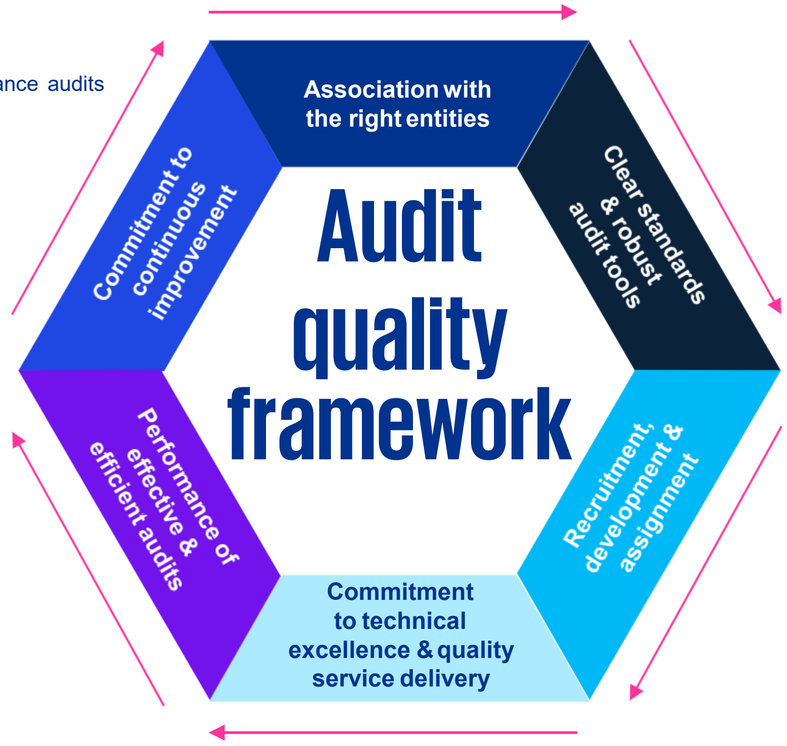
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members

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