



**LONDON BOROUGH OF HARINGEY  
PENSION FUND**

**AUDIT COMPLETION REPORT**

Audit for the year ended 31 March 2018

20 July 2018

# CONTENTS

WELCOME.....	2	APPENDIX I: AUDIT DIFFERENCES .....	17
OVERVIEW .....	3	APPENDIX II: RECOMMENDATIONS AND ACTION PLAN .....	18
OUTSTANDING MATTERS .....	4	APPENDIX III: MATERIALITY .....	20
KEY AUDIT AND ACCOUNTING MATTERS .....	5	APPENDIX IV: INDEPENDENCE .....	21
OTHER REPORTING MATTERS.....	14	APPENDIX V: FEES SCHEDULE .....	22
CONTROL ENVIRONMENT .....	15	APPENDIX VI: DRAFT LETTER OF REPRESENTATION.....	23
		APPENDIX VII: AUDIT QUALITY .....	26

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# WELCOME

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

It summarises the results of completing the planned audit approach for the year ended 31 March 2018, specific audit findings and areas requiring further discussion and/or the attention of the Pensions Committee and Board. At the completion stage of the audit it is essential that we engage with the Pensions Committee and Board on the results of audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Pensions Committee and Board meeting on 23 July 2018, and to receiving your input.

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

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

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

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# OVERVIEW

This summary provides an overview of the audit matters that we believe are important to the Pensions Committee and Board in reviewing the results of the audit of the financial statements and use of resources of the pension fund for the year ended 31 March 2018.

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

## AUDIT SCOPE AND OBJECTIVES

Audit status	We have substantially completed our audit procedures in accordance with the planned scope and our objectives have been achieved.
Audit risks update	No additional significant audit risks were identified during the course of our audit procedures subsequent to our Audit Plan dated 12 February 2018.
Materiality	Our final materiality is £13.6 million for the nest asset statement and £2.2 million for the fund account.
Changes to audit approach	There were no significant changes to our planned audit approach nor were any restrictions placed on our audit.

## KEY AUDIT AND ACCOUNTING MATTERS

Material misstatements	Our audit identified no material misstatements.
Unadjusted audit differences	Our audit identified one audit difference that you are not proposing to adjust. This relates to the classification of cash at the bank between current assets and investments. If corrected, this would have no impact on the net assets or the Fund Account for the year.
Control environment	Our audit identified no significant deficiencies in internal controls.

## AUDIT OPINION

Financial statements	We propose issuing an unmodified opinion on the financial statements for the year ended 31 March 2018.
Pension fund annual report	Our review of the consistency of the financial statements with the information included in the separate pension fund annual report is in progress.

## OTHER MATTERS FOR THE ATTENTION OF THE PENSIONS COMMITTEE AND BOARD

Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix IV.
Management letter of representation	The draft management letter of representation, to be approved and signed, is set out in Appendix VI.

# OUTSTANDING MATTERS

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

- 1 Engagement Lead and Quality Control review of audit evidence and key judgements

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- 2 Final review and approval by you of the pension fund financial statements

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- 3 Subsequent events review to the date of the opinion

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- 4 Management letter of representation, as attached in Appendix VI to be approved and signed

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# KEY AUDIT AND ACCOUNTING MATTERS

## AUDIT RISKS

We have assessed the following as audit risks from our audit planning. We set out how these risks have been addressed and the outcomes of our work.

Key: ■ Significant risk ■ Normal risk

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1 ■ Management override of controls	<p>Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.</p> <p>By its nature, there are no controls in place to mitigate the risk of management override.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</li> <li>Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.</li> <li>Obtained an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.</li> </ul>	<p>We have used data analytics software, BDO Advantage, to review the pension fund ledger, in order to focus our testing of journals on higher risk areas.</p> <p>Our audit work has not identified any issues in respect of inappropriate journal entries or adjustments made in the preparation of the financial statements.</p> <p>We have not identified bias in accounting estimates.</p> <p>We have not found any indication of management bias in accounting estimates.</p> <p>No unusual transactions outside of the normal course of business were identified.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
<p><b>2</b></p> <p><b>Pension liability assumptions</b></p>	<p>An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the 2016 triennial membership data, rolled forward, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation at 31 March 2018 when calculating the liability. There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Reviewed the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate.</li> <li>Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.</li> </ul>	<p>Our review of the controls to ensure data provided to the actuary for the 2016 triennial valuation is complete and accurate did not identify any issues.</p> <p>Our review of the reasonableness of assumptions used to calculate the present value of future pension obligations is noted in the following page.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

### SIGNIFICANT ESTIMATE

### IMPACT

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

The pension liability to pay future pensions has increased by £57 million to £1,906 million at 31 March 2018. There have been no changes to the assumptions used from the previous year.

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

	Actual	Acceptable range	Comments
RPI increase	3.4%	3.4%	Reasonable
CPI increase	2.4%	2.4%	Reasonable
Salary increase	3.0%	--	Reasonable (derived from RPI assumptions)
Pension increase	2.4%	2.4%	Reasonable
Discount rate	2.6%	2.6-2.7%	Reasonable
Mortality - LGPS:			
- Male current	23.8 years	23.7-24.4	Reasonable
- Female current	26.0 years	26.2-26.9	Lower than bottom end of range (see below)
- Male retired	21.8 years	21.5-22.8	Reasonable
- Female retired	24.1 years	24.1-25.1	Reasonable
Commutation:			
- Pre 2008	50%	25% - 75%	Reasonable
- Post 2008	75%	25% - 75%	Reasonable

Female mortality is lower than bottom end of the range. The actuary uses an analysis done by a third party on the Fund's actual membership, which takes into account both postcode considerations, and also factors such as earnings which statistically also impact on longevity. We accept this to be more reflective of the fund members.

We are satisfied that the assumptions used are not unreasonable or outside of the expected ranges.



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## KEY AUDIT AND ACCOUNTING MATTERS

3	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
	Fair value of investments (infrastructure and private equity)	<p>The investment portfolio includes unquoted infrastructure and private equity holdings valued by the General Partner or fund manager using valuations obtained from the underlying partnerships.</p> <p>Valuations are provided at 31 December and need to be updated to reflect cash transactions (additional contributions or distributions received) up to 31 March.</p> <p>There is a risk that investments valuations may not be appropriately adjusted to include additional contributions or distributions at the year end.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Obtained direct confirmation of all investment valuations from the General Partner or fund manager and request copies, where applicable, of the audited financial statements of the underlying partnerships (and member allocations). We also obtained the overall fund valuation provided by the Custodian.</li> <li>Confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds.</li> <li>Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.</li> </ul>	<p>The investment valuations included in the financial statements are provided by the Custodian and we agreed the valuations to the Custodian report.</p> <p>We also obtained valuation reports from the fund managers and noted a difference on the CBRE valuation of £0.923 million. Following enquiry, we found that the Custodian had used more recent Net Asset Valuation (NAV) information as we concluded the Custodian valuation was correct.</p> <p>We confirmed that the Custodian valuations take into account cash contributions and distributions from the funds since the latest valuations provided by the fund manager.</p> <p>We obtained assurance reports for each fund manager and the custodian and we did not identified any issues with the effectiveness of controls operated by fund managers for valuations and existence of underlying investments in the funds.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
<p>4 Fair value of investments (pooled investment vehicles)</p>	<p>The fair value of other funds (principally unit trusts and pooled investments held through unitised insurance policies) is provided by individual fund managers and reviewed by the Custodian (Northern Trust), and reported on a quarterly basis.</p> <p>There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Obtained direct confirmation of all investment valuations from the fund managers.</li> <li>• Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.</li> </ul>	<p>The investment valuations included in the financial statements agreed to the valuations provided by the fund managers.</p> <p>We obtained assurance reports for each fund manager and the custodian and we did not identified any issues with the effectiveness of controls operated by fund managers for valuations and existence of underlying investments in the funds.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
<p>5 Contributions receivable (normal / deficit contributions and augmentation / additional)</p>	<p>Employers are required to deducted amounts from employee pay based on tiered pay rates and to make employer contributions in accordance with rates agreed with the actuary. Augmented contributions are also required against pension strain for early retirements. There is a risk that employers may not be calculating contributions correctly or paying over the full amount due to the pension fund.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Performed an examination for a sample of active members of evidence relevant to the amounts of normal / deficit contributions receivable to the fund including checking to employer payroll records, where relevant.</li> <li>• We reviewed contributions receivable and ensure that income is recognised in the correct accounting period where the employer is making payments in the following month.</li> <li>• We tested a sample of augmented / special contributions due from employers.</li> <li>• We carried out audit procedures to review contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.</li> </ul>	<p>No issues were found in our testing of a sample of employees for employer and employee contributions payable.</p> <p>No issues were found in the accounting for contributions in the correct period.</p> <p>No issues were found in our testing of a sample of retiring employees where a capital sum was due from the employer.</p> <p>We agreed contributions to the rates determined by the actuary and we did not identify any issues with the contributions made.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
6	<p><b>Membership disclosure</b></p>	<p>Membership information including the number of current contributors, deferred beneficiaries and pensioners by employer is required to be disclosed.</p> <p>There is a risk that the membership database may not be accurate and up to date to support this disclosure.</p>	<p>We have obtained membership records and reviewed the controls over the maintenance of these records.</p> <p>We did not identify any issues with the membership numbers disclosure.</p>
7	<p><b>Investment management expenses</b></p>	<p>Fund managers do not ordinarily provide information on other fees included in investing contributions. These fees are deducted when the investment is made by the fund manager and hence is included in the change in market value of investments.</p> <p>This disclosure is a mandatory requirement for the 2017/18 financial statements.</p> <p>We consider there to be a risk in the presentation of investment management expenses in the fund accounts where these 'hidden' fees are not identified and separately reported.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Reviewed the arrangements put in place by management to identify all relevant investment management fees, and responses provided by fund managers, to ensure that the true costs are disclosed appropriately in the fund accounts.</li> <li>For a sample of investment management expense we agreed amount to year end confirmations received from the fund managers by the pension fund.</li> </ul> <p>Fund manager have provided additional information on fees this year. Investment management fees have been agreed to fund manager confirmations.</p> <p>We agreed investment management expenses to fund manager confirmations and did not identify any issues. We noted investment management fees of £1.6 million from one of the fund managers where the basis for charging of the fees is not included on the mandate.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

8	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
	Consideration of related party transactions	We consider if the disclosures in the financial statements concerning related party transactions are complete, accurate and in line with the requirements of the accounting standards.	We have discussed with management and reviewed members' and Senior Management declarations to ensure that there are no potential related party transactions which have not been disclosed.	We did not identify any issues with the completeness and accuracy of related party transactions.
	Benefits payable	Benefits payable may not be correct based on accrued benefits of members or may not be in calculated in accordance with the scheme regulations. Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.	We have: <ul style="list-style-type: none"> <li>For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, checked a sample of calculations of pension entitlement.</li> <li>Checked the correct application of annual pension uplift for members in receipt of benefits.</li> <li>Checked a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member and also review the results of the checks undertaken by ATMOS on the existence of pensioners.</li> </ul>	No issues were found in our testing of a sample of employees leaving the scheme including the calculation of the deferred pensions or lump sum and pension benefit for retiring members.  The correct 1% uplift was applied to pensioner benefits.  No issues were found in our testing of a sample of pensioners in receipt of pension payments.

## KEY AUDIT AND ACCOUNTING MATTERS

### OTHER ISSUES

We comment below on other issues identified in the course of our audit, of which we believe you should be aware:

	AUDIT AREA	AUDIT FINDINGS
10	Financial statements disclosures	We have suggested a number of changes to the financial statements, in respect of formatting, ensuring consistency between disclosures and arithmetic accuracy.

### MATTERS REQUIRING ADDITIONAL CONSIDERATION

We comment below on other matters requiring additional consideration:

	AUDIT AREA	AUDIT FINDINGS
11	Fraud	<p>Whilst the Director of Finance and members have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud.</p> <p>Our audit procedures did not identify any fraud.</p> <p>We will seek confirmation from those charged with governance on whether you are aware of any known, suspected or alleged frauds.</p>

## OTHER REPORTING MATTERS

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

	MATTER	COMMENT
1	Pension fund annual report	Our review of the consistency of the financial statements with the information included in the separate pension fund annual report is in progress.

## CONTROL ENVIRONMENT

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

As the purpose of the audit is for us to express an opinion on the pension fund's financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We are not aware of any significant deficiencies in the internal controls in 2017/18.

We have also identified other deficiencies in controls which have been discussed with management and included in the action plan at Appendix II.

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# APPENDICES

## APPENDIX I: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Pensions Committee and Board is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, and in aggregate, on the financial statements.

### ADJUSTED AUDIT DIFFERENCES

Our audit has not identified any material misstatements.

### UNADJUSTED AUDIT DIFFERENCES

There is one unadjusted audit difference identified by our audit work which has no impact on the net assets or the Fund Account for the year.

You consider this identified misstatement to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement however we also request that you correct them even though not material.

	£'000	FUND ACCOUNT		NET ASSET STATEMENT	
		DR	CR	DR	CR
		£'000	£'000	£'000	£'000
Net Assets before adjustments	1,307,484				
DR Current assets - cash				3,100	
CR Investments					3,100
<i>(1) Cash held by the pension fund in the main bank account disclosed with cash deposits in investments</i>					
<b>TOTAL UNADJUSTED AUDIT DIFFERENCES</b>	-	-	-	3,100	3,100
Net assets if adjustments accounted for	1,307,484				

## APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

We have followed up on the recommendations that we raised in the prior year:

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	PROGRESS
Senior management time	We noted that the management fee for the costs incurred by the Council in providing staff and general running costs support to the pension fund did not include any allowance for the time spent by senior management of the Council.	We recommend that the Council estimate the amount of time spent by senior management on governance and other duties in respect of the pension fund and include this in the recharge allocation management fee to the pension fund.	The recharge from the Council to the Pension Fund will be reviewed for 2017/18 including all percentages of officers' time recharged to the fund.	Head of Pensions & CFO	TBC
Membership records	We identified that there were 32 active members recorded in the Altair system that had left the Council, in some cases, a number of years ago. There is a risk that members that have left the Council could be accruing pension benefits when they should not have been.	We recommend that regular reviews of membership data are carried out in order to identify membership data that is out-of-date or inaccurate.	Management was aware of this issue which largely stems from admitted bodies failing to return leaver forms to the pensions administration team in a timely manner. New data checking software is being trialled by the pensions administration team (this is provided by the fund's administration software provider, Aquila Heywood).	Pensions Manager	TBC

## APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	PROGRESS
Contribution receivable	Our audit identified that the Council underpaid contributions by £47,000 in 2016/17 and £479,000 in 2015/16 and may have underpaid in years prior to 2015/16. Management contacted the Actuary who has confirmed that the underpayment would not have had a material impact on assets valuation of £820 million and the underpayments have been factored in to the 2016 formal valuation to ensure these are recouped.	We recommend that the Council monitors' contributions paid each year to ensure it meets its contribution payable requirement per the Actuary's Rates and Adjustment Certificate and pays any shortfall before the end of the financial year.	Management have implemented a quarterly checking process from 2017/18 onwards to ensure this issue does not re-occur.	Head of Pensions	TBC

## APPENDIX III: MATERIALITY

MATERIALITY - FINAL AND PLANNING		
	FINAL	PLANNING
Pension fund overall materiality	£13,600,000	£13,000,000
Fund account specific materiality	£2,200,000	£2,300,000
Clearly trivial threshold		
• Pension fund overall	£272,000	£260,000
• Fund account	£44,000	£46,000

Planning materiality for the pension fund financial statements was based on 1% of prior year net assets. Specific materiality was set of 5% of prior year contributions for the fund account. These were updated for actual amounts reported in the draft financial statements.

## APPENDIX IV: INDEPENDENCE

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

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement leads are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2018.

We have not provided any non-audit services to the pension fund during the period and up to the date of this report.

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

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

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the pension fund.

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

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## APPENDIX V: FEES SCHEDULE

	2017/18 FINAL £	2017/18 PLANNED £	2016//17 FINAL £	EXPLANATION FOR VARIANCES
Code audit fee	21,000	21,000	21,000	N/A
<b>TOTAL AUDIT</b>	21,000	21,000	21,000	
Fees for other non-audit services	-	-	-	N/A
<b>TOTAL ASSURANCE SERVICES</b>	21,000	21,000	21,000	

## APPENDIX VI: DRAFT LETTER OF REPRESENTATION

### TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP  
55 Baker Street  
London  
W1U 7EU

31 July 2018

Dear Sirs

#### **Financial statements of London Borough of Haringey Pension Fund for the year ended 31 March 2018**

We confirm that the following representations given to you in connection with your audit of the pension fund's financial statements for the year ended 31 March 2018 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of Responsibilities of Auditors and Audited Bodies within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015, and in particular that the financial statements give a true and fair view of the financial position of the pension fund as of 31 March 2018 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

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

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

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

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

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

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

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

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

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

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

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

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

- RPI increase 3.4%
- CPI increase 2.4%
- Salary increase 3.0%
- Pension increase 2.4%
- Discount rate 2.6%
- Mortality: Current pensioners - male 21.8 years and female 24.1 years / future pensioners - male 23.8 years and female 26 years
- Commutation: pre-April 2008 - 50% / post-April 2008 - 75%

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

We consider that the pension fund is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

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

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

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

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

Yours faithfully

Jon Warlow  
Chief Finance Officer (Interim)  
[Date]

Councillor Matt White  
Pensions Committee and Board Chair  
Signed on behalf of the Pensions Committee and Board  
[Date]

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## APPENDIX VII: AUDIT QUALITY

### **BDO is totally committed to audit quality**

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

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

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

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

More details can be found in our Transparency Report at [www.bdo.co.uk](http://www.bdo.co.uk)

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FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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