



Report to the Pensions Committee and Board

# LONDON BOROUGH OF HARINGEY PENSION FUND

Audit Progress Report: year ended 31 March 2021

IDEAS | PEOPLE | TRUST



# CONTENTS

1	Introduction	3
	Welcome	3
2	Executive summary	4
	Overview	4
	The numbers	5
	Other matters	6
	Audit risks overview	7
	Management override of controls	8
	Pensions liability valuations	9
	Pensions liability valuations	10
	Pensions liability valuations	11
	Fair value of investments (infrastructure & private equity)	12
	Fair value of investments (infrastructure & private equity)	13
	Valuation of investment assets (other)	14
	Benefit payable	15
	Benefit payable	16
	Contribution receivable	17
	Matters requiring additional consideration	18
3	Audit differences	19
	Unadjusted audit differences: Summary	19
	Unadjusted audit differences: Detail	20
	Adjusted audit differences: Summary	21
	Adjusted audit differences: Detail	22
4	Control environment	23
	Other Deficiencies	23
	Other deficiencies	24
	IT application deficiencies	25

	IT application deficiencies	26
5	Audit Report	27
	Audit report overview	27
6	Independence and fees	28
	Independence	28
	Fees	29
7	Appendices contents	30

# WELCOME

Contents

Introduction

Welcome

Executive summary

Audit differences

Control environment

Audit Report

Independence and fees

Appendices contents

We have pleasure in presenting our Audit Progress Report to the Pensions Committee and Board of Haringey Council. 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 our work to date for the year ended 31 March 2021, specific audit findings and areas requiring further discussion and/or the attention of the Pensions Committee and Board of Haringey Council. It includes the findings, conclusions and misstatements identified to date. We will provide an update on outstanding work at the Pensions Committee and Board.

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

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

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

**David Eagles, Partner**  
For and on behalf of **BDO LLP**

13 March 2023



**David Eagles, Engagement Partner**

m: 07967 203431  
e: David.Eagles@bdo.co.uk



**Tharshiha Vosper**  
**Senior Audit Manager**

t: 0203 860 6271  
e: Tharshiha.Vosper@bdo.co.uk

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

# OVERVIEW

## Executive summary

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks overview
Management override of controls
Pensions liability valuations
Pensions liability valuations
Pensions liability valuations
Fair value of investments (infrastructure & private equity)
Fair value of investments (infrastructure & private equity)
Valuation of investment assets (other)
Benefit payable
Benefit payable
Contribution receivable
Matters requiring additional consideration
Audit differences
Control environment
Audit Report
Independence and fees
Appendices contents

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 of the Pension Fund for the year ended 31 March 2021.

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.

This report includes only those matters arising from the audit work completed up to the date of its issue. As the audit is still subject to completion, other matters may arise between this date and the date of the Pensions Committee and Board and the date of us issuing our audit opinion.

We will provide a verbal update to Committee members on any changes, before issuing a final Audit Completion Report prior to the issue of our independent auditor's report.



### Overview

Our audit work on the financial statements is substantially complete. However, quality reviews are ongoing.

Nothing has come to our attention from the work we have completed to date that would result in a modification of our audit opinion.

Outstanding matters are listed on page 35 in the appendices.

We presented our Audit Planning Report to the Pensions Committee and Board on 2 December 2021. There have been no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

### Audit report

To date, nothing has come to our attention from work completed to date that would result in modification of the audit opinion on the financial statements.

# THE NUMBERS

## Executive summary

- Contents
- Introduction
- Executive summary**
- Overview
- The numbers
- Other matters
- Audit risks overview
- Management override of controls
- Pensions liability valuations
- Pensions liability valuations
- Pensions liability valuations
- Fair value of investments (infrastructure & private equity)
- Fair value of investments (infrastructure & private equity)
- Valuation of investment assets (other)
- Benefit payable
- Benefit payable
- Contribution receivable
- Matters requiring additional consideration
- Audit differences
- Control environment
- Audit Report
- Independence and fees
- Appendices contents

### Final materiality

Final financial statements materiality was determined based on 1% of the value of investments in the net assets statement.

Specific materiality on the fund account was based on 5% of contributions

### Material misstatements

We have identified one misstatement in respect of investment valuations being understated by £11.2m. While not in excess of our overall materiality, this is at “performance materiality” (which is the level used to drive testing), so we consider this should be adjusted for.

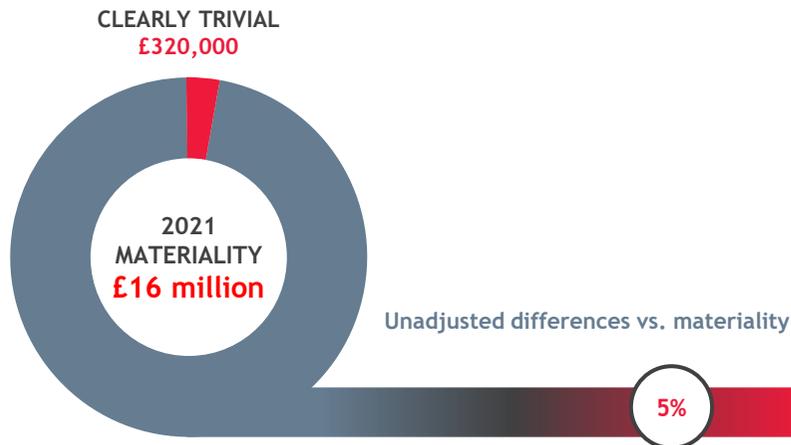
Management have agreed to correct this error in the final version of the financial statements.

### Unadjusted audit differences

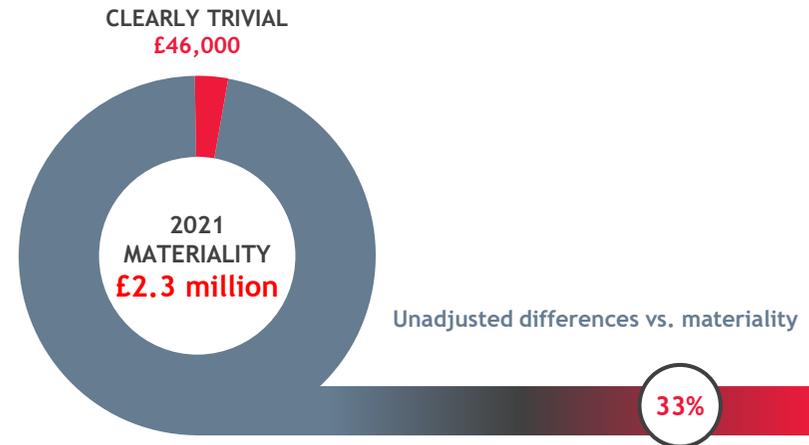
We have identified several audit differences which are detailed on page 20.

All unadjusted errors relate to projected errors. The factual errors in respect of these projected errors are below our clearly trivial threshold.

#### Financial statements materiality



#### Fund account materiality



# OTHER MATTERS

## Executive summary

### Contents

Introduction

Executive summary

Overview

The numbers

Other matters

Audit risks overview

Management override of controls

Pensions liability valuations

Pensions liability valuations

Pensions liability valuations

Fair value of investments  
(infrastructure & private equity)

Fair value of investments  
(infrastructure & private equity)

Valuation of investment assets  
(other)

Benefit payable

Benefit payable

Contribution receivable

Matters requiring additional  
consideration

Audit differences

Control environment

Audit Report

Independence and fees

Appendices contents

### Financial reporting

- We have not identified any non-compliance with accounting policies or the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- No significant accounting policy changes have been identified impacting the current year
- Going concern disclosures are deemed sufficient

### Other matters that require discussion or confirmation

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

### Independence

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



# AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated 8 November 2021 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the engagement team. No additional significant audit risks have been identified.

Audit Risk	Risk Rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	Yes	No
Pension liability valuation	Significant	Yes	Yes	No	No	Representations: • Actuarial assumptions
Fair value of investments (infrastructure & private equity)	Significant	Yes	No	Yes	No	No
Valuation of investment assets (other)	Normal	No	No	No	No	No
Benefit payable	Normal	No	No	Yes	Yes	No
Contribution receivable	Normal	No	No	No	No	No

 Areas requiring your attention

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks overview
Management override of controls
Pensions liability valuations
Pensions liability valuations
Pensions liability valuations
Fair value of investments (infrastructure & private equity)
Fair value of investments (infrastructure & private equity)
Valuation of investment assets (other)
Benefit payable
Benefit payable
Contribution receivable
Matters requiring additional consideration
Audit differences
Control environment
Audit Report
Independence and fees
Appendices contents

# MANAGEMENT OVERRIDE OF CONTROLS

**Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.**

## Risk description

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. This could occur in areas such as valuation of investments or contributions receivable. We are required to consider this as a significant risk of material misstatement due to fraud.

## Work performed

We carried out the following planned audit procedures:

- Reviewed and verified of journal entries made in the year, agreeing the journals to supporting documentation; we have determined key risk characteristics to filter the population of journals and used our IT team to assist with the journal extraction;
- Reviewed of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

## Results

We used our data analytics tool, BDO Advantage, to analyse journals processed throughout the year and as part of the financial reporting. We identified several journal entries that we considered to be high risk.

Our review noted that all journals were adequately supported and related to transactions in the normal course of business. No evidence of management override has been identified.

We have also reviewed users posting patterns for the financial year and identified one exception for which we received sufficient explanation and supporting documentation. We have also completed a trend analysis of journal postings throughout the financial year which was in line with our expectations.

From the work completed to date on our review of management estimates, we have not identified the existence of any systemic bias. There were no unadjusted audit differences which could indicate bias or deliberate misstatement.

## Conclusion

Whilst our substantive testing did not identify any issues, we have raised one control finding.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks overview
Management override of controls
Pensions liability valuations
Pensions liability valuations
Pensions liability valuations
Fair value of investments (infrastructure & private equity)
Fair value of investments (infrastructure & private equity)
Valuation of investment assets (other)
Benefit payable
Benefit payable
Contribution receivable
Matters requiring additional consideration
Audit differences
Control environment
Audit Report
Independence and fees
Appendices contents

# PENSIONS LIABILITY VALUATIONS

**There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.**

## Risk description

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 most up to date membership data held by the Pension Fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

The most recent actuarial valuation of the pension fund liability was carried out during the 2019/20 year to calculate the liability as at 31 March 2019. This involved the provision of membership and cash flow data from the pension fund to the actuary, data cleansing by the actuary and re-setting the financial and actuarial assumptions related to the valuation. The estimate of the pension fund liability as at 31 March 2021 is based on a roll-forward of data from the 2019 triennial valuation, updated where necessary.

There is a risk the valuation disclosed in the notes to the Pension Fund accounts is not based on appropriate membership data (where there are any significant changes) or uses inappropriate assumptions to value the liability.

## Work performed

We carried out the following planned audit procedures:

- Reviewed the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate;
- Tested a sample of membership and cash flow data sent to the actuary for existence and accuracy, and reconciled the membership data sent to the actuary to the membership administration system for completeness;
- Reviewed the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. We have used the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions;
- Checked whether any significant changes in membership data have been communicated to the actuary; and
- Agreed the disclosure to the information provided by the actuary.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

# PENSIONS LIABILITY VALUATIONS

**There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.**

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

## Results

We are satisfied that the actuary has the appropriate skills and experience and has applied the appropriate technical actuarial standards to calculate the pension liabilities.

Our testing in prior year concluded that the membership data submitted by the Fund for the 2019 triennial valuation was suitable for the purpose of the funding valuation. This membership data is rolled forward for use in the 31 March 2021 accounting valuation. We have tested and agreed a sample of data provided to the actuary and used in the roll forward valuation at 31 March 2021 to ensure data provided is accurate. We have reconciled the membership data sent to the actuary to the membership administration system for completeness with a 0.1% variance.

Management confirmed there has been no significant changes in the membership of the fund in the year.

We have reviewed the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. We have used the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions. There is one residual issue, relating to male mortality, which is being verified (see next page).

We have agreed the disclosure to the information provided by the actuary with no issues noted.

In respect of GMP, in March 2021 the Government confirmed that public service pension schemes will be expected to pay full indexation for members who reach their State Pension Age 'SPA' after 5 April 2021. The actuary allowed for the impact of full GMP indexation within the closing balance sheet position of the 31 March 2020 and as such no update was made for 31 March 2021, which was deemed reasonable.

The actuary has included the impact of McCloud by providing additional prudence in funding plans for employer contribution rates in the triennial valuation in 2019. As such the impact has been rolled forward into the liability at 31 March 2021. Whilst accounting IAS 26 valuation has included the impact of the McCloud judgement, this has not been separately identified within the overall liability and therefore we are unable to compare the amount included to other LGPS schemes.

With regards to Goodwin and the Teachers Pension judgement, the actuary has not included the impact of this within the 31 March 2021 valuation, however we estimate that the impact will be immaterial.

## Conclusion

Based on the work we have completed, other than the male mortality issue referred to above and overleaf, we have no matters to bring to your attention.

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks overview
Management override of controls
Pensions liability valuations
Pensions liability valuations
Pensions liability valuations
Fair value of investments (infrastructure & private equity)
Fair value of investments (infrastructure & private equity)
Valuation of investment assets (other)
Benefit payable
Benefit payable
Contribution receivable
Matters requiring additional consideration
Audit differences
Control environment
Audit Report
Independence and fees
Appendices contents

# PENSIONS LIABILITY VALUATIONS

## Significant estimate - financial and mortality assumptions

### Scheme pension liabilities: £ 2,346 million

The pension liability has increased by £531 million, from £1,815 million to £2,346 million. The increase is primarily driven by: £448 million for changes to financial assumptions such as increase in annual salary increases above CPI at 3.85% (previously 2.90%), increase in annual pension increases at 2.85% (previously 1.90%) offset by a fall in the rate of discounting scheme liabilities to 2.00% (previously 2.30%); £27 million from increased longevity.

The key estimates are the following financial and mortality assumptions. We have compared the assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

Financials:	Actual used	Acceptable range	Comments
- RPI increase	3.30%	3.20% - 3.35%	Reasonable
- Pension increase	2.85%	2.80% - 2.85%	Reasonable
- Salary increase	3.85%	CPT+1%	Reasonable
- Discount rate	2.00%	1.95% - 2.05%	Reasonable
<b>Commutation</b>			
- Pre 2008:	75%	25% - 75%	Reasonable
- Post 2008:	50%	25% - 75%	Reasonable
<b>Mortality:</b>			
- Male current	23.1 years	23.1 - 24.3 years	Reasonable
- Female current	26.0 years	25.4 - 26.7 years	Reasonable
- Male retired	21.7 years	21.9 - 22.7 years	Reasonable, subject to confirmation <sup>1</sup>
- Female retired	24.2 years	23.9 - 24.9 years	Reasonable

For mortality gains, the actuary used the CMI\_2020 Model, allowing for a long-term rate of improvement of 1.50% p.a., smoothing parameter of 7.0, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 0%. All figures falls within the acceptable range indicated by our consulting actuary and therefore we consider the assumption used for mortality gain is reasonable.

We consider that the assumptions and methodology used by the actuary are appropriate and will result in an estimate of the net pension liability which falls within a reasonable range.

<sup>1</sup> The actuary, Hymans Robertson (HR) stated that the range HR provided to PwC for their report started slightly too high at 21.9 years (noting that the range is set using estimates and is done in advance of the IAS19 exercise so occasionally an employer figures can end up outside the range). This point is being confirmed via the NAO.

### Impact

< lower



higher >

#### Contents

Introduction

Executive summary

Overview

The numbers

Other matters

Audit risks overview

Management override of controls

Pensions liability valuations

Pensions liability valuations

Pensions liability valuations

Fair value of investments (infrastructure & private equity)

Fair value of investments (infrastructure & private equity)

Valuation of investment assets (other)

Benefit payable

Benefit payable

Contribution receivable

Matters requiring additional consideration

Audit differences

Control environment

Audit Report

Independence and fees

Appendices contents

# FAIR VALUE OF INVESTMENTS (INFRASTRUCTURE & PRIVATE EQUITY)

The valuation of infrastructure and private equity holdings is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

## Risk description

The investment portfolio includes unquoted infrastructure and private equity holdings valued by the fund manager. The valuation of private equity assets may be subject to a significant level of assumption and estimation and valuations may not be based on observable market data.

In some cases, the valuations are provided at dates that are not coterminous with the Pension Fund's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations.

As a result, we consider there to be a significant risk that investments may not appropriately valued in the financial statements.

## Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers and requested copies of the audited financial statements (and member allocations) from the fund, and confirmed the appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds where the financial statement date supporting the valuation is not coterminous with the Pension Fund's year end;
- Where the financial statement date supporting the valuation is not coterminous with the pension fund's year end, confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds; and
- Confirmed investments have been correctly valued in accordance with the relevant accounting policies and considered whether there are any indications of impairment in relation to the investments held.

## Results

We have obtained direct confirmation of investment valuations from the fund managers and requested copies of the audited financial statements (and member allocations) from the fund. We have also obtained the confirmation from the custodian. Upon review, we have noted:

- £11.2 million variance on Pantheon between the figures in the Pension Fund's account and the investment manager valuation. The valuation should be based on a net assets valuation. Management has confirmed that this is an error. If corrected, we will need to review the revised accounts as this error will have impacts on large numbers of disclosures in the account.

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks overview
Management override of controls
Pensions liability valuations
Pensions liability valuations
Pensions liability valuations
Fair value of investments (infrastructure & private equity)
Fair value of investments (infrastructure & private equity)
Valuation of investment assets (other)
Benefit payable
Benefit payable
Contribution receivable
Matters requiring additional consideration
Audit differences
Control environment
Audit Report
Independence and fees
Appendices contents

# FAIR VALUE OF INVESTMENTS (INFRASTRUCTURE & PRIVATE EQUITY)

The valuation of infrastructure and private equity holdings is a significant risk as it involves a high degree of estimation uncertainty.

## Results (cont.)

We have confirmed investments have been valued in accordance with the relevant accounting policies. Our work on assessing the reasonableness of these valuations is ongoing however, no issues have been identified to date, other than in respect of Patheon.

We have undertaken an impairment review in relation to the investments held and did not identify any instances where an impairment is required.

We have also obtained all independent assurance reports and bridging letters (where applicable) over the controls operated by the fund managers. Whilst several control weaknesses were identified, we do not deem that these relate to processes which would have an impact of the valuations.

## Conclusion

Our audit work did not identify any error other than the valuation of Pantheon. If corrected, this will increase the investment valuation by £11.2m in the net asset statement and changes in market value of investments in the fund account. It will also impact various notes to the financial statement including the but limited to note 14 investment, note 15 fair value hierarchy and note 16 financial instruments.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks overview
Management override of controls
Pensions liability valuations
Pensions liability valuations
Pensions liability valuations
Fair value of investments (infrastructure & private equity)
Fair value of investments (infrastructure & private equity)
Valuation of investment assets (other)
Benefit payable
Benefit payable
Contribution receivable
Matters requiring additional consideration
Audit differences
Control environment
Audit Report
Independence and fees
Appendices contents

# VALUATION OF INVESTMENT ASSETS (OTHER)

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

## Risk description

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 and reported on a quarterly basis. These funds are quoted on active markets.

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

## Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers and Custodian and agreed valuations, where available, to readily available observable data (such as Bloomberg);
- Ensured that investments have been correctly valued in accordance with the relevant accounting policies; and
- 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

## Results

We have obtained direct confirmation of investment valuations from the fund managers and Custodian and agreed valuations. There is a variance over the valuation of CBRE investment however we concluded that the financial statements correctly used the Custodian valuation which is more accurate as it is based at 31 March 2021.

We have confirmed investments have been correctly valued in accordance with the relevant accounting policies and we did not identify any instances where an impairment would be required.

We have also obtained all independent assurance reports and bridging letters (where applicable) over the controls operated by the fund managers. Whilst several control weaknesses were identified, we do not deem that these relate to processes which would have an impact of the valuations.

## Discussion and conclusion

Based on the work we have completed; we have no matters to bring to your attention.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant control findings to be reported
Letter of representation point

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks overview
Management override of controls
Pensions liability valuations
Pensions liability valuations
Pensions liability valuations
Fair value of investments (infrastructure & private equity)
Fair value of investments (infrastructure & private equity)
Valuation of investment assets (other)
Benefit payable
Benefit payable
Contribution receivable
Matters requiring additional consideration
Audit differences
Control environment
Audit Report
Independence and fees
Appendices contents

# BENEFITS PAYABLE

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

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant control findings to be reported
Letter of representation point

## Risk description

Benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations. Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.

## Work performed

We carried out the following planned audit procedures:

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

## Results

We have completed an analytical review of the benefit payables for 2020/21. Through this exercise, we identified that the disclosure in the accounts for member numbers was incorrect.

We have carried out detailed testing on transfers out, lump sum death benefits, annual pension uplift and pension refunds with no issues to note. Our testing on lump sum benefits is complete however we are in the process of resolving a few queries on our recalculation of the benefits paid.

We have carried out detailed testing on pension benefits paid to pensioners, confirming existence of pensioners sampled and recalculating the benefit payable using salary and length of service data. We identified a total variance of £3k across 17 samples tested, the majority of the variance being from 2 specific cases. These variances are as a result of specific complexities within the calculations which we deemed inefficient to resolve.

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks overview
Management override of controls
Pensions liability valuations
Pensions liability valuations
Pensions liability valuations
Fair value of investments (infrastructure & private equity)
Fair value of investments (infrastructure & private equity)
Valuation of investment assets (other)
Benefit payable
Benefit payable
Contribution receivable
Matters requiring additional consideration
Audit differences
Control environment
Audit Report
Independence and fees
Appendices contents

# BENEFITS PAYABLE

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

## Results (cont.)

However, as part of our audit procedures, we are required to extrapolate this variance over the benefits paid population and this has resulted in a projected error of £687k. The projected error is high compared to the factual error due to the population being made up of a large volume of small transactions thus our sampled population is small compared to the total value of benefits paid.

We have reviewed the results of the latest National Fraud Initiative (NFI) data matching exercise of members in receipt of benefits with the records of deceased persons and what actions have been taken to resolve potential matches.

We confirmed that the scheme subscribes to the HMRC notification of death which is matched to membership database and matched accounts are suspended. Our testing did not identify any payment to deceased members.

We have reconciled the amounts recorded in the ledger for benefits paid to the pensioner payroll report.

Our walkthrough has noted that the evidence of the monthly benefit payment run reasonableness check has not been retained and we were not able to confirm the operational effectiveness of the control. For detail of the control deficiency, see page 23.

## Conclusion

Based on the work we have completed, other than the control deficiency, projected error on benefits paid, member numbers disclosure; we have no other matters to bring to your attention.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks overview
Management override of controls
Pensions liability valuations
Pensions liability valuations
Pensions liability valuations
Fair value of investments (infrastructure & private equity)
Fair value of investments (infrastructure & private equity)
Valuation of investment assets (other)
Benefit payable
Benefit payable
Contribution receivable
Matters requiring additional consideration
Audit differences
Control environment
Audit Report
Independence and fees
Appendices contents

# CONTRIBUTIONS RECEIVABLE

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

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant control findings to be reported
Letter of representation point

## Risk description

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

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

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

## Work performed

We carried out the following planned audit procedures:

- Tested a sample of normal contributions due (and additional deficit contributions where included in a higher employer rate) for active members including checking to employer payroll records;
- Reviewed contributions receivable and ensured that income is recognised in the correct accounting period where the employer is making payments in the following month;
- Performed tests over capital cost due from employers for pension strain due to early retirement; and
- 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.

## Results

We have reviewed contributions receivable and ensured that income is recognised in the correct accounting period where the employer is making payments in the following month. Our testing on transfers in, additional contributions and deficit funding contributions did not identify any issues.

We have completed substantive analytical review of the contribution receivable for 2020/21 with no issues noted.

Our testing on normal contributions is ongoing, specifically around contributions from other admitted bodies.

## Conclusion

Based on the work we have completed; we have no matters to bring to your attention. However, we have yet to complete all necessary work in respect of other admitted bodies' contributions, which is a material element.

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks overview
Management override of controls
Pensions liability valuations
Pensions liability valuations
Pensions liability valuations
Fair value of investments (infrastructure & private equity)
Fair value of investments (infrastructure & private equity)
Valuation of investment assets (other)
Benefit payable
Benefit payable
Contribution receivable
Matters requiring additional consideration
Audit differences
Control environment
Audit Report
Independence and fees
Appendices contents

---

# MATTERS REQUIRING ADDITIONAL CONSIDERATION

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks overview
Management override of controls
Pensions liability valuations
Pensions liability valuations
Pensions liability valuations
Fair value of investments (infrastructure & private equity)
Fair value of investments (infrastructure & private equity)
Valuation of investment assets (other)
Benefit payable
Benefit payable
Contribution receivable
Matters requiring additional consideration
Audit differences
Control environment
Audit Report
Independence and fees
Appendices contents

## Fraud

Whilst the Chief Financial Officer 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. Our audit procedures did not identify any fraud.

We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report on 2 December 2021.

## Laws and regulations

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

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

## Related parties

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

We did not identify any significant matters in connection with related parties.

# UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year



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

There are 3 unadjusted audit differences identified by our audit work which would decrease net assets by £750k.

Contents
Introduction
Executive summary
Audit differences
Unadjusted audit differences: Summary
Unadjusted audit differences: Detail
Adjusted audit differences: Summary
Adjusted audit differences: Detail
Control environment
Audit Report
Independence and fees
Appendices contents

# UNADJUSTED AUDIT DIFFERENCES: DETAIL

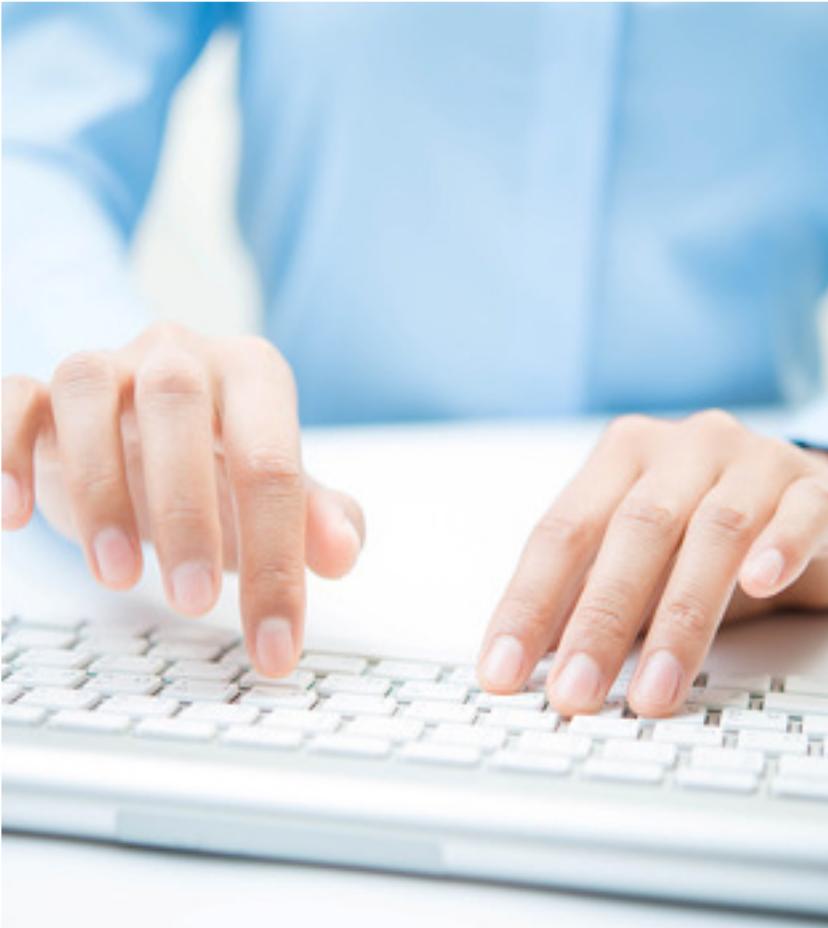
Details for the current year

	Fund Account			Net Asset Statement	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
<b>Unadjusted audit differences</b>					
1: Projected under accrual of professional fees expenditure relating to 2020-21 (factual error £13k)					
DR Management Expenses		63			
CR Current Liabilities					(63)
2: Projected over-statement of creditors in respect of expenditure paid in 2020-21 (factual error £445)					
DR Current Liabilities				223	
CR Net Assets					(223)
3: Projected under-statement of benefits paid (factual error £3k)					
DR Benefits Expenditure		687			
CR Current Liabilities					(687)
<b>Total unadjusted audit differences</b>		750	-	223	(973)

Contents
Introduction
Executive summary
<b>Audit differences</b>
Unadjusted audit differences: Summary
Unadjusted audit differences: Detail
Adjusted audit differences: Summary
Adjusted audit differences: Detail
Control environment
Audit Report
Independence and fees
Appendices contents

# ADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year



There is one audit difference identified by our audit work that will be adjusted by management. This decreases net assets by £11.2m.

Contents
Introduction
Executive summary
<b>Audit differences</b>
Unadjusted audit differences: Summary
Unadjusted audit differences: Detail
Adjusted audit differences: Summary
Adjusted audit differences: Detail
Control environment
Audit Report
Independence and fees
Appendices contents

# ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Income and expenditure			Balance Sheet	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
<b>Adjusted audit differences</b>					
1: Correction of Patheon Private Equity Investment Valuation					
DR Investment Assets				11,241	
CR Change in Market Value			(11,241)		
<b>Total adjusted audit differences</b>			(11,241)	11,241	

## Contents

Introduction

Executive summary

**Audit differences**

Unadjusted audit differences:  
Summary

Unadjusted audit differences:  
Detail

Adjusted audit differences:  
Summary

Adjusted audit differences: Detail

Control environment

Audit Report

Independence and fees

Appendices contents

# OTHER DEFICIENCIES

We are required to report to you, in writing, 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 Pension Committee and Board.

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

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

Area	Observation & implication	Recommendation	Management response
Month benefit reasonableness check	<p>Before each payroll run, the Pensions Payroll team sends the monthly gross pay spreadsheet through to the Pensions Admin Manager. Upon receipt, the Pensions Manager completes a reasonableness check against the previous month’s figures.</p> <p>During the course of understanding the control environment of the audited entity, it was noted the operating effectiveness control cannot be evidenced due to retirement of Pensions Admin Manager.</p> <p>There is a risk that incorrect benefit payments could go undetected.</p>	<p>The reasonableness checks is an opportunity for management to identify any benefit payments with a variance from the previous month and therefore if there any incorrect pension benefit entitlements. Evidence of the reasonableness check should be retained.</p>	

Contents
Introduction
Executive summary
Audit differences
Control environment
Other Deficiencies
Other deficiencies
IT application deficiencies
IT application deficiencies
Audit Report
Independence and fees
Appendices contents

# OTHER DEFICIENCIES

Contents
Introduction
Executive summary
Audit differences
Control environment
Other Deficiencies
Other deficiencies
IT application deficiencies
IT application deficiencies
Audit Report
Independence and fees
Appendices contents

Area	Observation & implication	Recommendation	Management response
Pantheon Management Fees	<p>In the course of auditing management fees, we had difficulty in obtaining a schedule outlining how management fees had been determined.</p> <p>For a number of funds listed below, there was no clear basis over how management expenses had been arrived at.</p> <ul style="list-style-type: none"> <li>• Pasia V LP</li> <li>• Peuro VI</li> <li>• PGSF V Feeder LP</li> <li>• PUSA VII</li> </ul> <p>As there is no clear basis of how management fees have been arrived at, this may result in management costs being reported and accounted for incorrectly.</p>	<p>The Pension Fund should make appropriate enquiries with the investment manager over how management fees are determined.</p> <p>At the year end, the Pension Fund should request a breakdown of management fees charged by the fund manager for the period to ensure that correct disclosure can be made in the financial statements.</p>	[xx]

# IT APPLICATION DEFICIENCIES

Contents
Introduction
Executive summary
Audit differences
Control environment
Other Deficiencies
Other deficiencies
IT application deficiencies
IT application deficiencies
Audit Report
Independence and fees
Appendices contents

Area	Observation & implication	Recommendation	Management response
Absence of user access reviews being performed on Altair	<p>During our review, it was noted that user access reviews has not been performed for Altair inscope applications and/or evidence thereof retained in order to validate the appropriateness of system level access and user activities.</p> <p>There is a risk that user accounts may not be disabled/removed in a timely manner.</p> <p>This increases the risk that unauthorised access via this open account may occur which may result in incorrect and unapproved changes to key data.</p>	<p>User access reviews are a second line of defence control where the operation of the preventative control surrounding the joiners and leavers process fails. It is therefore recommended that user access reviewed are performed at annually due to the size of the business and number of users and should include:</p> <ul style="list-style-type: none"> <li>• Both administrator and standard user accounts; and</li> <li>• User group and individual customised levels of access reviews to identify any users who do not possess an appropriate level of access;</li> <li>• Evidence of user access reviews should be retained to demonstrate effective and continuous operation and control.</li> </ul>	<p>Management is in agreement with the finding and will work towards implementing the recommendation.</p>
Inadequate Password policy settings on the systems that enforce strong passwords being set.	<p>BDO identified the following system password-setting weakness:</p> <ul style="list-style-type: none"> <li>- Altair: Password complexity and enforce password history settings are not enabled.</li> </ul> <p>Risk that user passwords can be guessed or become known over time to other users. As a result, user accounts are at an increased risk of being used by persons other than the legitimate account owner.</p> <p>Crystallisation of this risk may result in a material misstatement or fraud because user accounts may be used to:</p> <ol style="list-style-type: none"> <li>1) process unauthorised, fraudulent or inaccurate transactions, and</li> <li>2) bypass controls designed or required to segregate duties.</li> </ol>	<p>Management should consider strengthening the existing password settings to be in line with good practice.</p>	<p>Management is in agreement with the finding and will work towards implementing the recommendation.</p>

# IT APPLICATION DEFICIENCIES

Contents
Introduction
Executive summary
Audit differences
Control environment
Other Deficiencies
Other deficiencies
IT application deficiencies
IT application deficiencies
Audit Report
Independence and fees
Appendices contents

Area	Observation & implication	Recommendation	Management response
'Lack of SOC report from third party managing Altair change management for Infrastructure and application	<p>BDO noted that a third party Heywood are managing infrastructure and application changes could not provide a SOC report and thus, BDO could not obtain assurance over the adequacy and effectiveness of the control environment of Heywood</p> <p>Unauthorised changes being made and undetected that might lead in compromised financial data and transactions, this might as well result in compromised IPE being used by the audit team as BDO could not test the controls on change management environment for the third party.</p>	Management should consider engaging with the third part to include SOC reports as party of the service package provided by third party.	<p>A SOC report (type 1 or type 2) is designed to provide assurances about the effectiveness of the controls in place that are relevant to the security, availability or processing integrity of the system used to process clients' information or the confidentiality or privacy of that information. With regards to Altair, these systems and the data held within them are hosted in a data centre (provided by BlueChip). System changes are driven solely by user demand through the CLASS user group, which is comprised of representatives of Altair users from across the LGPS. Minutes of these meetings record issues raised and agreed actions.</p> <p>The data centre provider has a SOC2 report in place and we have provided a copy of BlueChip's SOC2 Report and the BlueChip SOC2 Bridging Letter. It is therefore not necessary for Heywood's to also hold a SOC report. However, we will commit to discuss with other Altair users, through the CLASS group, whether there is a consensus that Heywood should investigate obtaining a SOC report.</p>

---

# AUDIT REPORT OVERVIEW

Contents
Introduction
Executive summary
Audit differences
Control environment
<b>Audit Report</b>
Audit report overview
Independence and fees
Appendices contents

## Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements.

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

## Conclusion relating to going concern

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

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

## Irregularities, including fraud

Our report will contain an explain to what extent the audit was considered capable of detecting irregularities, including fraud. Irregularities in this context means non-compliance with laws or regulations.

## Other information

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

# INDEPENDENCE

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

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

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2021.

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

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

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

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

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

Contents
Introduction
Executive summary
Audit differences
Control environment
Audit Report
Independence and fees
Independence
Fees
Appendices contents

# FEES

Contents
Introduction
Executive summary
Audit differences
Control environment
Audit Report
<b>Independence and fees</b>
Independence
Fees
Appendices contents

Fees summary	2020/21	2020/21	2019/20
	Actual	Planned	Actual
	£	£	£
Code audit fee	TBC	£16,710	£16,710
Planned additional audit fee	TBC	<sup>1</sup> £5,000	<sup>1</sup> £5,000
Covid related costs	TBC	<sup>2</sup> £4,000	<sup>2</sup> £4,000
Extra fee for work on triennial valuation membership	-	-	£3,000
<b>Total audit fees</b>	<b>TBC</b>	<b>£25,170</b>	<b>£28,170</b>

- (1) Additional fees £5,000 in response to expectations of auditors to undertake additional work around management judgements and estimates, and to obtain additional corroborating evidence for areas of risk.
- (2) This represents an estimate of the additional resource time and costs necessary when audits are undertaken remotely. The 15-20% range experienced by BDO and the other audit firms.



# APPENDICES CONTENTS

Contents
<u>Appendices contents</u>
Our responsibilities
Communication with you
Communication with you
Outstanding matters
Letter of representation
Audit quality

A	Our responsibilities	31
	Our responsibilities	31
	Additional matters we are required to report	32
B	Communication with you	33
	Communication with you	33
C	Communication with you	34
	Communication with you	34
D	Outstanding matters	35
	Outstanding matters	35
E	Letter of representation	36
	Representative letter	36
	Representative letter 2	37
	Representative letter 3	38

F	Audit quality	39
	Audit quality	39

# OUR RESPONSIBILITIES

## Responsibilities and reporting

Contents

[Appendices contents](#)

[Our responsibilities](#)

Communication with you

Communication with you

Outstanding matters

Letter of representation

Audit quality

### Our responsibilities and reporting

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

We read and consider the 'other information' contained in the Pension Fund Annual report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

### What we don't report

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



# ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

- Contents
- Appendices contents
- Our responsibilities**
- Additional matters we are required to report
- Communication with you
- Communication with you
- Outstanding matters
- Letter of representation
- Audit quality

	Issue	Comments
1	Significant difficulties encountered during the audit.	Ongoing issues within the audit sector has meant the audit has been challenging to deliver. We have provided further details on page 33.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.



---

# COMMUNICATION WITH YOU

Contents

[Appendices contents](#)

[Our responsibilities](#)

[Communication with you](#)

[Communication with you](#)

[Outstanding matters](#)

[Letter of representation](#)

[Audit quality](#)

## Audit Sector developments

The sector has seen a number of pressures arising since the faster close agenda brought the reporting deadline forward for the 31 March 2019 period to 31 July 2019. Only 60% of local government bodies were able to publish audited accounts by this deadline. By exception, there remain a number of 2018/19 audits outstanding to date.

The 31 March 2020 publication deadline, initially pushed back to end September 2020 from July 2020, was then further extended to 30 November 2020. However, only 45% of local government bodies were able to publish audited accounts by this extended deadline, with even traditionally better performing authorities close to or at the deadline date.

Recruitment and retention of staff with suitable public sector experience has become increasingly challenging on a national level. Added to this the increased scope of audit work, increased complexity in public sector accounts and extensive regulatory requirements have continued to add to this pressure sector wide. It has been widely recognised that the audit sector, and public sector audit specifically, requires reform to enable it to remain sustainable. The Redmond review specifically focuses on recommendations to help achieve this in the longer term.

Alongside these already present pressures, a global pandemic manifested additional impacts and pressure. New challenges of remote working, onboarding and training new staff remotely, communication, IT support and illness within the team directly impacting efficiency and delivery.

The 31 March 2021 publication deadline was set at end September 2021. Audit firms and audit regulation bodies did feedback that this was not realistically achievable. Only 9% of 2021 audits were completed by 30 September 2021, with 20% by 30 November 2021 and 40% by 31 December 2021.

## Audit progress

The 2021 audit has been challenging to deliver, with issues outlined above, in addition to the longer-term impacts of Covid-19 and remote working. There are several significant accounting estimates requiring management judgement, all of which require more detailed consideration in light of revised auditing standards and regulator focus, resulting in the need for more resource and specialist resource.

We will continue to work with officers towards the completion of this audit and we will update officers on progress on a regular basis.

---

# COMMUNICATION WITH YOU

Contents
<a href="#">Appendices contents</a>
<a href="#">Our responsibilities</a>
<a href="#">Communication with you</a>
<a href="#">Communication with you</a>
<a href="#">Outstanding matters</a>
<a href="#">Letter of representation</a>
<a href="#">Audit quality</a>

## Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance (TCWG) are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Pension Committee and Board.

## Communication, meetings and feedback

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

---

Communication	Date (to be) communicated	To whom
Audit Planning Report	3 December 2021	Pension Committee and Board
Audit Progress Report (this report)	21 March 2023	Pension Committee and Board
Audit Completion Report (final)	TBC	Pension Committee and Board

---

# OUTSTANDING MATTERS

Contents
<a href="#">Appendices contents</a>
<a href="#">Our responsibilities</a>
<a href="#">Communication with you</a>
<a href="#">Communication with you</a>
<a href="#">Outstanding matters</a>
<a href="#">Letter of representation</a>
<a href="#">Audit quality</a>

We are in the process of completing our audit work in respect of the financial statements for the year ended 31 March 2021.

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

- Finalising assessment of evidence provided and concluding on testing in respect of financial statements disclosures, lump sum benefits, and commitments and contingencies
- Confirmation of Actuary explanation re apparently out of range male mortality rate assumption
- Completion of contributions testing in respect of admitted bodies.
- Resolution of review points raised through ongoing quality reviews by Manager, Engagement Lead and EQR.

We will issue our audit report at the same time we sign the Council’s Statement of Accounts, in line with guidance from the National Audit Office.



# LETTER OF REPRESENTATION

Client name  
Address  
Address  
Address

BDO LLP  
16 The Havens  
Ransomes Europark  
Ipswich  
IP3 9SJ

Dear Sir/Madam

## **Financial statements of London Borough of Haringey Pension Fund for the year ended 31 March 2021**

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 2021 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Pension Fund as of 31 March 2021 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

## **Going concern**

We have made an assessment of the Pension Fund's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Pension is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note 2 to the financial statements are sufficient.

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

## **Laws and regulations**

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

## **Post balance sheet events**

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

## **Fraud and error**

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

### Contents

[Appendices contents](#)

[Our responsibilities](#)

[Communication with you](#)

[Communication with you](#)

[Outstanding matters](#)

[Letter of representation](#)

[Audit quality](#)

## LETTER OF REPRESENTATION 2

Contents
Appendices contents
Our responsibilities
Communication with you
Communication with you
Outstanding matters
Letter of representation
Representative letter 2
Representative letter 3
Audit quality

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

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

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

### Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. 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 as a whole.

### Related party transactions

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

Other than as disclosed in note 23 to the financial statements, there were no loans, transactions or arrangements between the Pension Fund and Council members or their connected persons at any time in the year which were required to be disclosed.

### Carrying value and classification of assets and liabilities

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

### Accounting estimates

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

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

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

- Rate of inflation (CPI and pensions): 2.85%
- Rate of increase in salaries: 3.85%
- Rate of discounting scheme liabilities: 2.00%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities (male current 23.1 years and retired 21.7 years / female current 26.0 years and retired 24.2 years).

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

## LETTER OF REPRESENTATION 3

Contents
Appendices contents
Our responsibilities
Communication with you
Communication with you
Outstanding matters
Letter of representation
Representative letter 2
Representative letter 3
Audit quality

### Litigation and claims

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

### Confirmation

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

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

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

Yours faithfully

Jon Warlow

Chief Finance Officer

[date]

# AUDIT QUALITY

Contents
<a href="#">Appendices contents</a>
<a href="#">Our responsibilities</a>
<a href="#">Communication with you</a>
<a href="#">Communication with you</a>
<a href="#">Outstanding matters</a>
<a href="#">Letter of representation</a>
<a href="#">Audit quality</a>



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

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

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

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

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

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



FOR MORE INFORMATION:

David Eagles, Engagement Partner

m: 07967 203431

e: [David.Eagles@bdo.co.uk](mailto:David.Eagles@bdo.co.uk)

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

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

© March 2023 BDO LLP. All rights reserved.

[www.bdo.co.uk](http://www.bdo.co.uk)

