



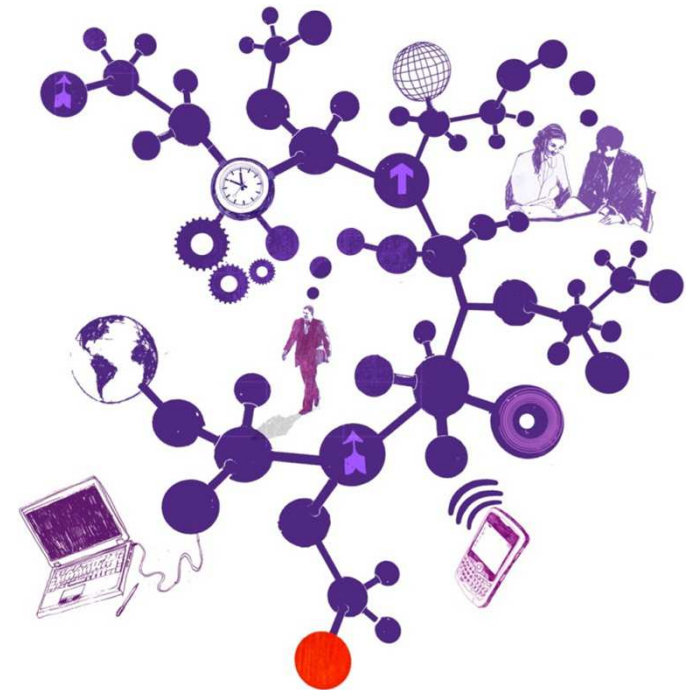
The Audit Plan for London Borough of Haringey Pension Fund

Year ended 31 March 2013

3 June 2013

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3 June 2013

Dear Sirs

Audit Plan for London Borough of Haringey Pension Fund for the Year ended 31 March 2013

We are pleased to be engaged to perform the audit of London Borough of Haringey Pension Fund for the Year ending 31 March 2013.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

This Audit Plan highlights the key elements of our proposed audit strategy for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260. An Audit Findings report will be issued prior to approval of the financial statements and will present our significant findings and other matters arising from the audit. We will communicate any significant adverse or unexpected findings affecting the audit on a timely basis, either informally or through an interim memorandum.

We look forward to working with you during the course of the audit.

Yours faithfully

Subarna Banerjee

Chartered Accountants

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Developments relevant to the pension fund and the audit

In planning our audit we consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Financial reporting

- CIPFA publication of a revised set of example accounts for pension funds in 2013.

2. LGPS 2014

- Planning for the impact of the implementation of career average re-valued earnings scheme (CARE) from 1 April 2014.

3. Financial Pressures – scheduled and admitted bodies

- Managing pensions administration where contributing bodies are offering early retirement and redundancies placing additional workload on the pension fund in dealing with severance arrangements.

4. Financial Pressures – Pension fund

- Pension funds are increasingly requiring to withdraw from assets to fund the demand on benefits payable that are not covered by contributions in year. Pension fund investment strategies need to be able to respond to these demands as well as the changing nature of investment markets.

5. Triennial valuation

- Demands on pension funds' time in terms of administering the information to pass to the actuary and regular dialogue with the actuary.

Our response

- We will ensure that the Pension Fund complies with the requirements of the CIPFA Code of Practice through our substantive testing

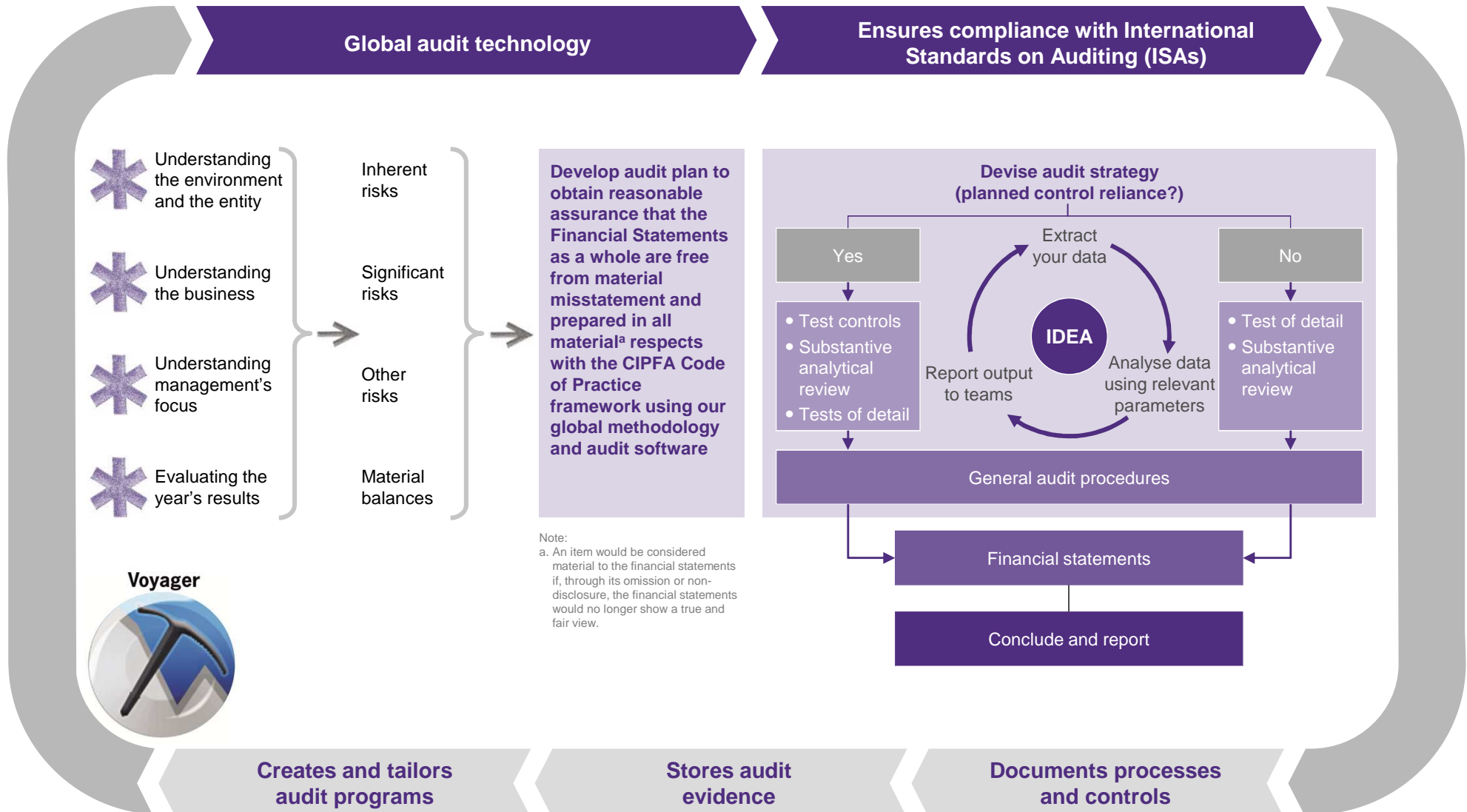
- We will discuss the impact of the changes with the Pension Fund through our regular meetings with senior management and those charged with governance, providing a view where appropriate.

- We will maintain regular dialogue with management to assess the impact this may have on the administration of the Pension fund. We will raise any concerns with those charged with governance.

- We will monitor the changes being made to the pension fund investment strategy through our regular discussions with senior management and those charged with governance.
- We will consider the impact of changes on the nature of investments held by the pension fund and adjust our testing strategy as appropriate.

- We will maintain regular dialogue with management to assess the impact this may have on the administration of the Pension fund. We will raise any concerns with those charged with governance.

Our audit approach



An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

Net assets statement

Account	Material (or potentially material) balance?	Transaction cycle	Inherent risk	Material misstatement risk?	Description of risk	Planned control reliance?	Extent of substantive testing
Investment assets	Yes	Investments	Medium	Not remote	Investments recorded are not valid	No	Full
Investment assets	Yes	Investments	Medium	Not remote	Investments are not recorded at fair value	No	Full
Cash deposits with fund managers	Yes	-	Low	Remote	-	No	Reduced
Other investment balances	No	-	Low	Remote	-	No	Reduced
Investment liabilities	No	-	Low	Remote	-	No	Reduced
Current assets - contributions receivable	No	-	Low	Remote	-	No	Reduced
Current assets - cash balance	No	-	Low	Remote	-	No	Reduced
Current assets - other	No	-	Low	Remote	-	No	Reduced
Current liabilities - unpaid benefits	No	-	Low	Remote	-	No	Reduced
Current liabilities - other	No	-	Low	Remote	-	No	Reduced

An audit focused on risks (continued)

Fund account

Account	Material (or potentially material) balance?	Transaction cycle	Inherent risk	Material misstatement risk?	Description of risk	Planned control reliance?	Extent of substantive testing
Contributions in the year	Yes	Scheme Contributions (Defined benefit)	Medium	Not remote	Contributions not valid or incomplete	No	Full
Transfers in	Yes	Transfers in to the scheme	Medium	Not remote	Transfers in not valid or incomplete	No	Full
Benefits payable	Yes	Benefit Payments	Medium	Not remote	Benefits incorrectly calculated	No	Full
Transfers out	Yes	Benefit Payments	Medium	Not remote	Transfers-out incorrectly calculated	No	Full
Administrative expenses	No	-	Low	Remote	-	No	Reduced
Investment income	Yes	Investments	Medium	Not remote	Investment income incorrectly stated	No	Full
Taxation	No	-	Low	Remote	-	No	None
Investment portfolio expenses	Yes	-	Low	Remote	-	No	Reduced
Investment changes in market value	Yes	Investments	Medium	Not remote	Market value movements overstated	No	Full

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgemental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgemental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
Revenue	Under ISA 240 there is a presumed risk that revenue (which for the purposes of the London Borough of Haringey Pension Fund we have considered as investment income, transfers into the scheme and contributions) may be misstated due to the improper recognition of revenue.	<p>We have rebutted this presumption and therefore do not consider this to be a significant risk for the London Borough of Haringey Pension Fund since:</p> <ul style="list-style-type: none"> • The nature of the pension fund's revenue is in many respects relatively predictable and does not generally involve cash transactions. • The split of responsibilities between the Pension Fund, its fund managers and the custodian, provides a very strong separation of duties reducing the risk around investment income. • Revenue contributions are made by direct salary deductions and direct bank transfers from admitted bodies and are supported by separately sent schedules and are directly attributable to gross pay making any improper recognition unlikely. • Transfers into the scheme are all supported by an independent actuarial valuation of the amount which should be transferred and which is subject to agreement between the transferring and receiving funds.
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management • Testing of journals entries • Review of unusual significant transactions

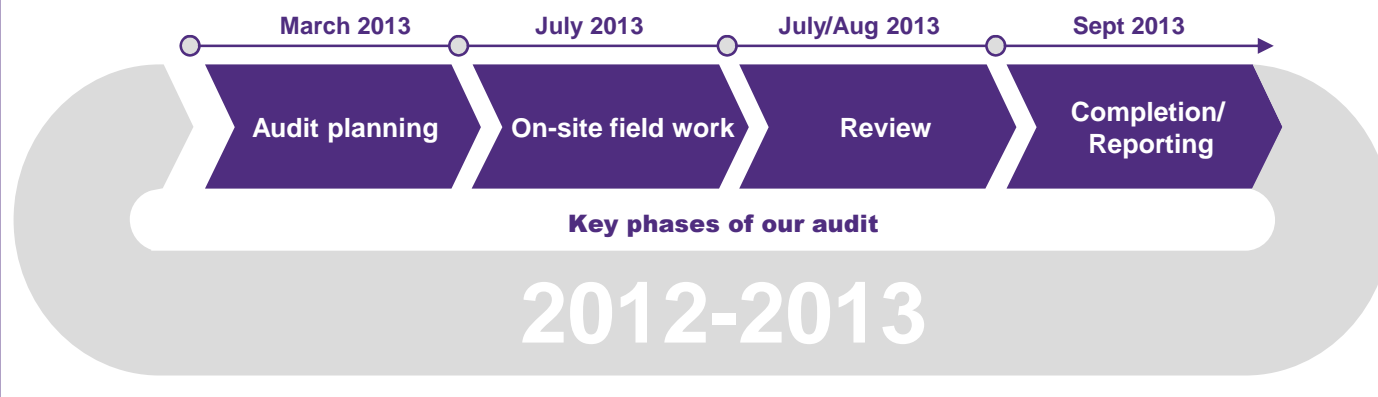
Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Planned audit procedure
Investments	Investments are not valid or fair value measurements are not correct	<ul style="list-style-type: none"> • obtain direct confirmations from fund managers, and the global custodian of investments held • compare holdings confirmed by global custodian to individual fund managers • obtain direct confirmation of market prices for a selection of investment holdings to external pricing agencies such as Bloomberg (quoted investments) • critically assessing the assumptions used in a sample of the valuations (unquoted investments and direct property investments) • agree a selection of purchase and sales transactions to supporting information
Investment income	Investment income incorrectly recorded	<ul style="list-style-type: none"> • establish an expectation of income receipts based on investment assets held • for a selection of investments ensure expected income is correctly recorded
Contributions	Contributions are missing or incorrectly calculated	<ul style="list-style-type: none"> • estimate total contributions by reference to average pensionable salaries, and average member numbers • review overall contributions received on a monthly basis and ensure unusual trends satisfactorily explained • deductions of contributions from salaries will be checked for a selection of members to ensure accuracy, and that they were correctly paid over to the fund
Benefits and transfers payments	Benefits paid incomplete and / or incorrectly calculated	<ul style="list-style-type: none"> • rationalise pensions paid with reference to changes in member numbers and increases in the year • for each benefit, a selection of transactions will be made and agreed to supporting documentation maintained on individual member files

Logistics and our team

The audit cycle



Our team

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Date	Activity
22.03.13	Planning meeting
04.06.13	The draft audit plan provided to management
27.06.13	The audit plan presented to the Corporate Committee
15.07.13	Year end fieldwork commences
25.07.13	Manager on-site review
10.08.13	Director review
w/c 02.09.13	Issue draft ISA 260 for comment
19.09.13	Discuss audit findings with Corporate Committee
19.09.13	Corporate Committee to approve accounts and annual report
TBC	Issue opinion on the financial statements and annual report

Fees and independence

Fees

	£
Pension fund audit	22,379

Fees for other services

Service	Fees £
None	Nil

Our fee assumptions include:

- Our fees are exclusive of expenses and VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Pension fund and its activities have not changed significantly
- The Pension fund will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to those charged with governance.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council and Pension fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Pension Fund's key risks when reaching our conclusions under the Code.

The audit of the Pension fund's financial statements does not relieve management or those charged with governance of their responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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