LONDON BOROUGH OF HARINGEY PENSION FUND

AUDIT COMPLETION REPORT

For the year ended 31 March 2017
Issued 05 September 2017

BDO

CONTENTS

SUMMARY

AUDIT SCOPE AND OBJECTIVES	
Audit status	We have substantially completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to resolution of matters set out in the outstanding matters section below.
Audit risks	Since issuing out Audit Plan dated 13 March 2017 we have revised the pension liability valuation risk from a normal risk to a significant risk because significant judgements and estimation is used by the actuary for the valuation of the present value liability to pay future pensions. This is in line with industry expectations of those risks that should be classified as significant audit risks because of the level of judgement and estimation involved.
Materiality	Our final materiality is £13 million for the net asset statement and £2.3 million for the fund account. We have increased our materiality from £10 million to £13 million for the net asset statement and £2.1 million to £2.3 million for the fund account as a result of an increase in valuation of investment asset year end and an increase in contributions respectively.
Changes to audit approach	There were no significant changes to our planned audit approach nor were any restrictions placed on our audit.

KEY AUDIT AND ACCOUNTING MATTERS	
Material misstatements	Our audit identified no material misstatements. Management has made a number of presentational corrections and amendments to disclosures as a result of the audit.
Unadjusted audit differences	We have not identified any unadjusted differences during our audit.
Control environment	Our audit identified no significant deficiencies in internal controls. However, we identified that there were 32 active members recorded in the Altair system that had left the Council, in some cases, a number of years ago.

SUMMARY

AUDIT OPINION	
Financial statements	Subject to the successful resolution of outstanding matters set out on page 5, which are largely procedural, we anticipate issuing an unmodified opinion on the financial statements for the year ended 31 March 2017.
Pension fund annual report	We have reviewed the pension fund annual report and confirmed that it is consistent with the pension fund financial statements. We have suggested a small number of minor changes to the Administrative 'Management Performance/ Membership,' and 'Pensions Administration Strategy,' sections of the annual report.

OTHER MATTERS FOR THE ATTENTION OF THE PENSIONS COMMITTEE AND BOARD	
Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix IV.

INTRODUCTION

PURPOSE AND USE OF THIS REPORT

We present our audit completion report to the Pensions Committee and Board, which details the key findings arising from the audit for the attention of those charged with governance. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK & Ireland) which provide us with a framework which enables us to form and express 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 nor those charged with governance of their responsibilities for the preparation of the financial statements.

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. As the purpose of the audit is for us to express an opinion on the 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.

This report has been prepared solely for the use of the Pensions Committee and Board. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing 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 firms), the firm undertake 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 latest Transparency Report at www.bdo.co.uk.

OUTSTANDING MATTERS

We have substantially completed our audit work for the year ended 31 March 2017, and anticipate issuing an unmodified opinion on the financial statements.

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

1 Completion of the following testing:
- Review of actuarial information disclosed in the accounts compared to the actuary report
- Review of the completeness of information, such as contributions received, benefits paid and value of investments, given to the actuary to support its 31 March 2017 valuation

2 Review of the audit file by the engagement lead

3 Review of the amended financial statements

4 Subsequent events review

5 Final review and approval by you of the financial statements, including the management representation letter attached in Appendix VI

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT RISKS

We assessed the following matters as significant audit risks. We have amended the risk from normal risk to significant risk in respect of the assumptions supporting the valuation of the pension liabilities. Below we set out how these risks have been addressed and the outcomes of our procedures.

Key: ■ Significant risk ■ Normal risk

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1	Management override of controls	Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual. By its nature, there are no controls in place to mitigate the risk of management override.	Our response to this risk included: • Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Reviewing accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud • Obtaining an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.	Our audit work in relation to journals has not identified any issues in respect of inappropriate journal entries in the general ledger or adjustments made in the preparation of the financial statements. We have not identified bias in accounting estimates. See page 8 for our findings regarding the reasonableness of significant management estimate in respect of the liability to pay future pensions. No unusual transactions outside of the normal course of business were identified.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
2	Pension liability assumptions	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. There is a risk that the membership data and cash flows provided to the actuary as at 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability. *(This has been revised from a normal risk to a significant risk because significant judgement and estimation is used by the actuary for the valuation of the present value liability to pay future pensions. This is in line with industry expectations of those risks that should be classified as significant audit risks because of the level of judgement and estimation involved.)*	We reviewed the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate. We compared the disclosures in the financial statements to the information provided by the actuary. We compared the assumptions used by the scheme actuary with assumptions used by other local government actuaries (provided by PwC consulting actuaries) to assess the reasonableness of the assumptions and impact on the calculation of the present value of estimated future pension payments. We also checked whether the actuary had applied assumptions in accordance with the range provided to PwC.	This audit work is ongoing. We will provide an update to the Pensions committee and Board at the 14 September 2017 meeting. We compared the disclosures in the financial statements and noted an inconsistency between the present value of promised retirement benefits £1.642 million disclosed in note 20 and the value disclosed in annex 1 £1.849 million (extract from the Actuary report). Management has corrected note 20 so that the present value of promised retirement benefits is consistent with the information provided by the Actuary in annex 1 in the revised set of financial statements. Our review of the reasonableness of assumptions used to calculate the present value of future pension obligations is noted in the following page.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES

Pension liability assumptions

ESTIMATE

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

HOW RISK WAS ADDRESSED BY OUR AUDIT

The actuary has used the following assumptions to value to future pension liability:

	Actual used	Actuary range	PwC assessment of actuary range to market expectations
RPI increase	3.4%	3.4%	Reasonable
CPI increase	2.4%	2.4%	Reasonable
Salary increase	3.0%	--	Reasonable
Pension increase	2.4%	2.4%	Reasonable
Discount rate	2.6%	2.5-2.7%	Reasonable
Mortality - LGPS:			
- Male current	23.8 years	23.5-26.6	Reasonable
- Female current	26.0 years	26.5-28.3	Lower than the bottom end of the expected range
- Male retired	21.8 years	21.4-24.4	Reasonable
- Female retired	24.1 years	24.2-26.0	Reasonable
Commutation			
- Pre-April 2008	50%	25-75%	Reasonable
- Post-April 2008	75%	25-75%	Reasonable

PwC concluded:

"We are comfortable that the methodologies used to establish assumptions will produce reasonable assumptions at 31 March 2017 for all employers."

Conclusion

We have compared the assumptions and estimates used by the actuary with the expected ranges provided by the independent consulting actuary. We are satisfied that the assumptions used are not unreasonable or outside of the expected ranges.

AUDIT CONCLUSION

PRUDENT AGGRESSIVE

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	Contributions receivable (normal, pension strain and augmented) *Continued*	Employers are required to deduct amounts from employee pay based on tiered pay rates and to make employer contributions in accordance with rates agreed with the actuary, including current funding and past service deficit funding. Augmented contributions may also be required for the award of enhanced discretionary pensions and pension strain for early or ill health retirements. There is a risk that employers may not be calculating contributions correctly or paying over the full amount due to the pension fund.	We have performed an examination, on a test basis, of evidence relevant to the amounts of normal contributions receivable to the fund including checking to employer payroll records, where relevant. We have reviewed contributions receivable to ensure that income is recognised in the correct accounting period.	No issues were identified in respect of checking contributions receivable to employer payroll records. Our audit identified that two admitted bodies, KM Cleaning and Urban Futures, had outstanding contributions payable of £1,068 and £3,238 respectively at the time of the audit (July 2017) which related to the 2016/17 financial year. We also noted that KM Cleaning had paid contributions late on numerous occasions through the 2016/17 financial year. Although the amounts outstanding at the year-end were minimal management has confirmed that the Pension Fund is reviewing its procedures to ensure that admitted bodies pay on a timely basis each month.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	*Continued* Contributions receivable (normal, pension strain and augmented)		We have carried out audit procedures to review contributions income in accordance with the Actuary’s Rates and Adjustments Certificate.	Haringey Council is required to pay contributions as set out in the Actuary’s Rate and Adjustments Certificate. The Council was required to pay 17.1% plus £7.731 million deficit funding and 17.1% plus £8.616 million deficit funding in 2015/16 and 2016/17 respectively. The Actuary’s certificate combines the percentage contribution and deficit funding each year to calculate an overall percentage contribution the Council is required to pay to cover their requirement for the year and the Council is responsible for monitoring this overall percentage to ensure the initial percentage contribution plus deficit funding has been covered. The overall percentage was 24.4% and 24.9% in 2015/16 and 2016/17 respectively. Our audit has identified that the Council underpaid contributions by £47,000 in 2016/17 and £479,000 in 2015/16 and may have underpaid in years prior to 2015/16. Management contacted the Actuary who has confirmed that the underpayment would not have had a material impact on assets valuation of £820 million and the underpayments have been factored in to the 2016 formal valuation to ensure these are recouped. We recommend that the Council monitors’ contributions paid each year to ensure it meets its contribution payable requirement per the Actuary’s Rates and Adjustment Certificate and pays any shortfall before the end of the financial year.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
4	Fair value of private equity and infrastructure investments	The investment portfolio includes unquoted infrastructure and private equity holdings valued by the General Partner or fund manager using valuations obtained from the underlying partnerships ventures. In some cases, the valuations of the underlying ventures 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. There is a risk that investments are not appropriately valued in the underlying ventures or may not be appropriately adjusted to include additional contributions or distributions at the year end.	We have obtained direct confirmation of investment valuations from the General Partner or fund managers including copies of the audited financial statements of the partnership (and member allocations) from the fund Where the financial statement date supporting the valuation is not conterminous with the pension fund's year end, we have confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds. We have 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.	Our testing did not identified any issues with the valuation of investments at year end or the effectiveness of controls operated by fund managers for valuations and existence of underlying investments in the funds.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
5	Fair value of investments (pooled investments)	The fair value of pooled investment vehicles is provided by individual fund managers and reported on a monthly basis. There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.	We have obtained direct confirmation of investment valuations from the fund managers and agreed published fund manager valuations, where available, to readily available observable data (such as Bloomberg). We have 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. We have reviewed the Custodian's performance monitoring reports and followed up valuations (provided by the Fund Manager and used to as the valuation in the financial statements) that appear unusual when compared to the Custodian's independent performance monitoring report.	Our testing did not identified any issues with the valuation of investments at year end or the effectiveness of controls operated by fund managers for valuations and existence of underlying investments in the funds.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
6	Investment management expenses	Management expenses represent the fee for the service provided by and any performance related fees in relation to the fund manager. Fund managers do not ordinarily provide information on any 'hidden' fees included in investing contributions. These fees are deducted when the investment is made by the fund manager and hence is included in the change in market value of investments. CIPFA has issued guidance on obtaining and separately presenting these additional charges in the fund accounts. While not mandatory to report these costs separately, there is a clear expectation that LGPS fund accounts do observe this guidance. CIPFA intends to make this a mandatory disclosure requirement from 2017/18. We consider there to be a risk in the presentation of investment management expenses in the fund accounts where these 'hidden' fees are not identified and separately reported.	We discussed with management the process put in place during the year to obtain the necessary information from the fund managers to comply with the investment management expense disclosure as recommended by CIPFA. We reviewed the accounts to ensure that investment management expenses have been disclosed in accordance with CIPFA's guidance. For a sample of investment management expense we agreed amount to year end confirmations received from the fund managers by the pension fund.	Investment management expenses that include 'hidden' fees such as transaction fees that would ordinarily be deducted at source when investments are made have been disclosed separately within the investment management expenses disclosure in accordance with CIPFA guidance. We agreed investment management expenses to fund manager confirmations and did not identify any issues.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
7	Remuneration of key management personnel disclosure	The 2016/17 CIPFA Code requires that amounts incurred by the pension fund for the provision of key management personnel services that are provided by a separate but related entity shall be disclosed. Key management personnel include senior management employed by the Council. It is expected that a percentage of their remuneration will be required to be disclosed to reflect the cost charged to the pension fund through the management fee charged by the Council. We consider there to be a risk in the presentation of key management personnel services are provided by a separate management entity (the Council).	We have reviewed the basis for apportioning costs between the pension fund and Council and ensure that costs relating to the provision of key management personnel services are accurately disclosed.	We noted that the management fee for the costs incurred by the Council in providing staff and general running costs support to the pension fund did not include any allowance for the time spent by senior management of the Council. Therefore, no disclosure has been included in the pension fund financial statements for key management personnel remuneration. We recommend that the Council estimate the amount of time spent by senior management on governance and other duties in respect of the pension fund and include this in the recharge allocation management fee to the pension fund.
8	Related party transactions	We consider if the disclosures in the financial statements concerning related party transactions are complete, accurate and in line with the requirements of the accounting standards.	We reviewed the Financial investment Board declarations to ensure there are no potential related party transactions which have not been disclosed. We also performed a company house search to ensure that there no undeclared related parties by the board members.	We did not identify any issues with the completeness and accuracy of related party transactions.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
9	Fair value hierarchy disclosures	The IFRS 13 scope exclusion for fair value investment disclosures for pension funds has been removed and fair value measurement disclosures apply in full for 2016/17. This will require enhanced disclosures around the fair value hierarchy of investments, and in particular any disclosed as 'level 3.' These types of valuations are subject to a significant level of assumption and estimation and valuations may not be based on observable market data. There is a risk that the pension fund may not be able to obtain the information needed in order to make the required IFRS 13 fair value investment disclosures in the financial statements.	We reviewed the fair value hierarchy disclosures and checked that investment valuations have been correctly classified as a level 1, 2 or 3 in accordance with guidance issued by PRAG/Investment Association: Practical Guidance on Investment Disclosures 2016. For level 3 valuations, we confirmed that appropriate disclosure had been included in the financial statements.	Since the 2015/16 audit, PRAG/Investment Association has issued further guidance which clarifies the type of investment valuation that should be classified within level 1, 2 or 3. As a result of this management has reclassified £29.3 million pooled property holdings into level 3 that were previously classified as a level 2 investments as at 31 March 2016. This has no impact on the carrying value of the investments. We did not identify any other issues in respect of the fair value hierarchy disclosures.
10	Benefits payable	Benefits payable may not be correct based on accrued benefits of members or may not be in calculated in accordance with the scheme regulations. Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.	For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, we checked a sample of calculations of pension entitlement to ensure benefits entitlements are accurate We have checked a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member. We have checked and confirmed that no inflationary uplift required in 2016/17 as CPIX index for 12 months to September 2015 was negative as per HM Treasury.	Our testing of pension benefits payable did not identify any issues.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
11	Membership disclosure	Membership information including the number of current contributors, deferred beneficiaries and pensioners by employer is required to be disclosed. There is a risk that the membership database may not be accurate and up to date to support this disclosure.	We obtained membership records and reviewed the controls over the maintenance of these records. We carried out sample testing of existing and movements of members to transactions recorded in the fund account.	Our testing identified that there were 32 active members recorded in the Altair system that had left the Council, in some cases, a number of years ago. Management confirmed the reason that these members remained as active in the system was because leaver forms had not been received in order to update their records. We reviewed these records and confirmed that these members had not been accruing pension benefits since leaving the Council. No other issues were identified in respect of the accuracy of membership data. However, we recommend that regular reviews of membership data are carried out in order to identify membership data that is out-of-date or inaccurate.

KEY AUDIT AND ACCOUNTING MATTERS

OTHER ISSUES

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

	AUDIT AREA	AUDIT FINDINGS
13	Financial statements presentation and disclosures	We have suggested a number of changes to the financial statements, in respect of formatting, ensuring consistency between disclosures and arithmetic accuracy. These are in addition to amendments noted earlier in our report. Management has agreed to make these amendments.

OTHER REPORTING MATTERS

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

	MATTER	COMMENT
14	Pension fund annual report	We have reviewed the pension fund annual report and confirmed that it is consistent with the pension fund financial statements. We have suggested a small number of minor changes to the Administrative 'Management Performance/ Membership,' and 'Pensions Administration Strategy,' sections of the annual report. Management are currently reviewing these suggested changes.

CONTROL ENVIRONMENT

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

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

We did not identify and significant deficiencies in internal controls during the audit.

However, we identified that there were 32 active members recorded in the Altair system that had left the Council, in some cases, a number of years ago. There is a risk that members that have left the Council could be accruing pension benefits when they should not have been. We recommend that regular reviews of membership data are carried out in order to identify membership data that is out-of-date or inaccurate.

APPENDICES

APPENDIX I: AUDIT DIFFERENCES

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

ADJUSTED AUDIT DIFFERENCES

Our audit has not identified any material misstatements.

Management has made a number of presentational corrections and amendments to disclosures as a result of the audit.

UNADJUSTED AUDIT DIFFERENCES

Our audit has not identified and unadjusted audit differences.

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

Key: ■ Other deficiency in internal control

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Senior management time	We noted that the management fee for the costs incurred by the Council in providing staff and general running costs support to the pension fund did not include any allowance for the time spent by senior management of the Council.	We recommend that the Council estimate the amount of time spent by senior management on governance and other duties in respect of the pension fund and include this in the recharge allocation management fee to the pension fund.	The recharge from the Council to the Pension Fund will be reviewed for 2017/18 including all percentages of officers' time recharged to the fund.	Head of Pensions & CFO	March 2018
Membership records	We identified that there were 32 active members recorded in the Altair system that had left the Council, in some cases, a number of years ago. There is a risk that members that have left the Council could be accruing pension benefits when they should not have been.	We recommend that regular reviews of membership data are carried out in order to identify membership data that is out-of-date or inaccurate.	Management was aware of this issue which largely stems from admitted bodies failing to return leaver forms to the pensions administration team in a timely manner. New data checking software, is being trialled by the pensions administration team, (this is provided by the fund's administration software provider, Aquila Heywood).	Pensions Manager	Ongoing
Contributions receivable	Our audit identified that the Council underpaid contributions by £47,000 in 2016/17 and £479,000 in 2015/16 and may have underpaid in years prior to 2015/16. Management contacted the Actuary who has confirmed that the underpayment would not have had a material impact on assets valuation of £820 million and the underpayments have been factored in to the 2016 formal valuation to ensure these are recouped.	We recommend that the Council monitors' contributions paid each year to ensure it meets its contribution payable requirement per the Actuary's Rates and Adjustment Certificate and pays any shortfall before the end of the financial year.	Management have implemented a quarterly checking process from 2017/18 onwards to ensure this issue does not re-occur.	Head of Pensions	With immediate effect

APPENDIX III: MATERIALITY

MATERIALITY - FINAL AND PLANNING

	FINAL	PLANNING
Pension fund overall materiality	£13 million	£10 million
Fund account specific materiality	£2.3 million	£2.1 million
Clearly trivial threshold		
- Pension fund overall	£260,000	£200,000
- Fund account	£46,000	£42,000

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

APPENDIX IV: INDEPENDENCE

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired. These policies include engagement lead and manager rotation, for which rotation is required after 5 years and 10 years respectively.

INDEPENDENCE - ENGAGEMENT TEAM ROTATION	
Senior team members	Number of years involved
Leigh Lloyd-Thomas – Engagement lead	2
Kerry Barnes– Audit manager	1

We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Council.

APPENDIX V: FEES SCHEDULE

	2016/17 FINAL PROPOSED £	2016/17 PLANNED £	2015/16 FINAL £	EXPLANATION FOR VARIANCES
Code audit fee	21,000	21,000	21,000	
TOTAL AUDIT	**21,000**	21,000	21,000	
Fees for other non-audit services	-	-	-	
TOTAL ASSURANCE SERVICES	**21,000**	**21,000**	21,000	

APPENDIX VI: DRAFT REPRESENTATION LETTER

TO BE TYPED ON CLIENT HEADED NOTEPAPER
BDO LLP
55 Baker Street
London
WIU 7EU

[DATE]

Dear Sirs

Financial statements of London Borough of Haringey Pension Fund for the year ended 31 March 2017

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 2017 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 her responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial transactions of the scheme and the amount and disposition at the end of the year of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year 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) and for making accurate representations to you.

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

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

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

APPENDIX VI: DRAFT REPRESENTATION LETTER

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

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

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

To the best of our knowledge we are not aware of any fraud or suspected fraud involving members of the Council, 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 members of the Council, employees, former employees, analysts, regulators or any other party.

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

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

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

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

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

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

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

APPENDIX VI: DRAFT REPRESENTATION LETTER

We confirm that the above representations are made on the basis of enquiries of councillors, 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 director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Clive Heaphy

Chief Finance Officer (Interim)

[date]

Cllr Clare Bull

Chairman

Signed on behalf of the Pensions Committee and Board

[date]

FOR MORE INFORMATION:

LEIGH LLOYD-THOMAS
Engagement lead

T: 020 7893 2616
E: leigh.lloyd-thomas@bdo.co.uk

KERRY BARNES
Manager

T: 020 7893 3837
E: kerry.barnes@bdo.co.uk

www.bdo.co.uk