



Havering Pension Fund  
Audit results report -  
Update

Year ended 31 March 2021

9 May 2024



**EY**

Building a better  
working world

Havering Pension Fund

9 May 2024



Dear Audit Committee/ Pension Committee Members,

We are pleased to attach our Audit Results Report Update for the forthcoming meeting of the Audit Committee. We will update the Committee at its meeting on 14 May 2024 on further progress to that date and outline the remaining steps for the issue of our final report and opinion. This report provides an update on our report presented to the Committee in April 2023. The completion of the Pension Fund audit has been delayed due to issues with the audit of the Council's accounts as the Pension Fund accounts are published as part of the Council's accounts and therefore the opinions need to be issued concurrently.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit focus, our views on Havering Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the use of the Pensions Committee, Audit Committee, and management. It is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Committee meeting on 14 May 2024.

Yours faithfully

A handwritten signature in black ink that reads "Debbie Hanson". The signature is written in a cursive, flowing style.

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Enc

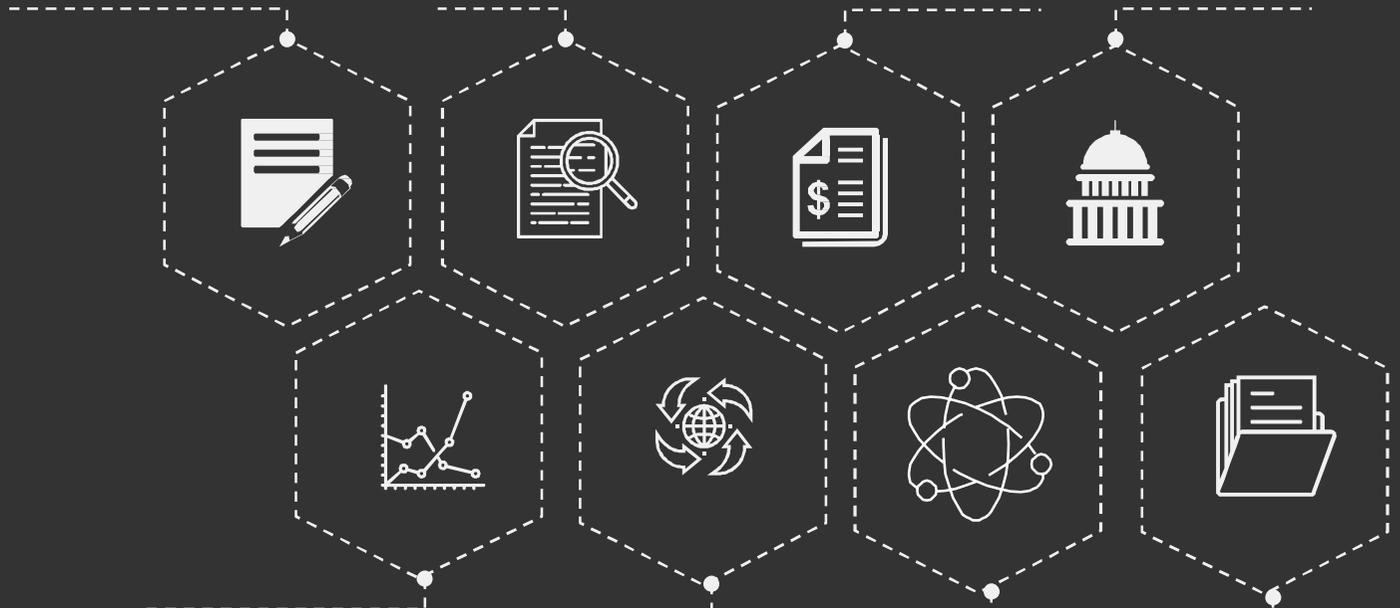
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website ([Statement of responsibilities of auditors and audited bodies from 2018/19 - PSAA](#)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Havering Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Havering Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Havering Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary

# Executive Summary

## Scope update

In our Audit Planning Report presented to the Audit Committee meeting on 28 April 2021, we provided you with an overview of our audit scope and approach for the audit of the Pension Fund's financial statements. We carried out our audit in accordance with this plan with the following updates.

### Update to materiality

Planning materiality, performance materiality and audit differences presented in our Audit Planning Report were £7.28 million, £5.46 million and £0.36 million, respectively. We updated our planning materiality assessment using the draft financial statements as follows and have also reconsidered our risk assessment on substantial completion of the audit. We are satisfied that our materiality levels remain appropriate.

	Planning Materiality	Performance Materiality	Audit Differences
	Our planning materiality represents 1% of the Pension Fund's net assets, consistent year on year.	Performance materiality represents 75% of planning materiality and is the top of our range, consistent year on year.	We will report all uncorrected misstatements relating to the primary statements (net asset statement and fund account) greater than 5% of planning materiality.
Final	£8.74 million	£6.56 million	£0.44 million

# Executive Summary

## Status of the audit

Our audit work in respect of the Pension Fund 2020/21 audit is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- Completion of our going concern assessment procedures, to cover a period of at least 12 months from the date of authorisation of the financial statements. This work had been previously completed but now needs to be extended due to the delays in the completion of the audit. We have received and updated disclosure, assessment and supporting cash flow forecast from the Council and are in the process of reviewing this;
- Review of the consistency check procedures on the Pension Fund's Annual Report with the Pension Fund's financial statements within London Borough of Havering's Statement of Accounts pack. This cannot be completed until we have a final set of accounts including the Pension Fund from the Council;
- Completion of internal consultation procedures in relation to a material prior period error identified which will require adjustment in the prior period figures in the notes to the accounts. This will include review and assessment of the prior period adjustment disclosure in the accounts;
- Completion of the general audit conclusion procedures;
- Completion of subsequent event procedures up to the date of our audit report;
- Agreement of all final amendments to the financial statements;
- Final reviews by the Engagement manager, Partner and Quality Control Reviewer;
- Receipt of a signed accounts and a signed letter of management representation.

We are unable to issue the audit opinion on the Pension Fund's financial statements until the audit of the administering authority's (London Borough of Havering) financial statements is complete, as the Pension Fund Accounts form part of the London Borough of Havering accounts and therefore the two opinions need to be issued concurrently.

## Audit differences

We have identified differences and/or amendments during the audit which are greater than £0.44 million (audit differences threshold) that we need to bring to your attention.

We have also identified material errors in Note 16a of the Pension Fund accounts that require amendment in both the 2020/21 and prior year accounts. These differences relate to disclosures and classification impacting relating to fair value hierarchy and have no impact on the Net Asset Statement or Fund Account.

Our audit has also identified a small number of disclosure differences which management has agreed to adjust. Further differences may be identified as our remaining procedures are concluded.

We include further details in Section 4 of this report.

# Executive Summary

## Areas of audit focus

Our Audit Plan identified significant risks and areas of focus for our audit of the Pension Fund financial statements. We summarise below our latest findings. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised in the "Areas of Audit Focus" section of this report.

Fraud risks	Findings & conclusions
Misstatements due to fraud or error (management override)	We carried out procedures to address this fraud risk as set out in our Audit Plan, including identifying risks, considering controls and their effectiveness, testing journal entries and testing estimates for evidence of management bias.  We have completed our work in this area and have no matters to bring to your attention.
Misstatement due to fraud or error (Incorrect posting of investment valuation and income journals)	We carried out procedures to address this fraud risk as set out in our Audit Plan, including a reconciliation between the fund manager reports and the custodian reports and agreement of investment income to source reports to address the risk of manipulating of asset valuations and investment income, respectively.  We have completed our work in this area and have identified differences between fund manager reports and our direct confirmations in relation to various Level 3 investments with a net impact of £1.4 million.

Significant risk	Findings & conclusions
Valuation of complex investments (including pooled property funds, pooled infrastructure and pooled private debt)	We undertook additional procedures, as described more fully in Section 2 of this report, to gain assurance over the material accuracy of the year-end valuation of the Pension Fund's Level 3 complex investments, which are inherently more difficult to value.  We have completed our work in this area. We identified differences of £1.4 million between fund manager reports and our direct confirmation in relation to various Level 3 investments as described in Section 4 of this report.

Areas of audit focus/Higher inherent risk	Findings & conclusions
Going concern disclosures	Our updated procedures in this area are in progress. We have previously reviewed the proposed disclosure on going concern in the draft accounts presented for audit and are revisiting this based on the Pension Fund's updated disclosure, assessment and cash flow forecast to ensure they remain appropriate.



# Executive Summary

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## Control observations

We have identified one deficiency in the design or operation of an internal control that will result to prior year adjustments of the financial statements. Please refer to Section 6 for details.

## Other reporting issues

We are required to give a consistency opinion on the consistency of the Pension Fund financial statements within the Pension Fund Annual Report with the Pension Fund financial statements in the Statement of Accounts of London Borough of Havering. The audit of the statement of accounts of London Borough of Havering for the year ended 31 March 2021 is not yet complete, and we have not yet received a final set of updated accounts, so we are yet to complete our consistency checks.

## Independence

Please refer to Section 7 for our update on Independence.



## 02 Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud and error

##### What is the risk?

There is a risk that the financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We have considered where this risk specifically manifests itself and this is in the posting of investment journals (see following page).

##### What judgements are we focused on?

The risk of management override at Havering Pension Fund is mainly through the possibility that management could override controls and manipulate in-year financial transactions which intend to adjust the entity's reported Fund Account.

This could be done through manipulation of estimates including investment valuation, or through journals amending the values in the production of the financial statements from those provided by the custodian or fund managers.

##### What did we do?

- We enquired of management about risks of fraud and the controls put in place to address those risks.
- We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.
- We reviewed accounting estimates for evidence of management bias.
- We evaluated the business rationale for any significant unusual transactions.
- We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

##### What are our conclusions?

Our procedures to address this risk are complete, subject to final Partner review.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied. We did not identify any evidence of management bias in relation to accounting estimates.

Our journal testing did not identify any journal entries without a valid business purpose.

We did not identify any other transactions during our audit which appeared unusual or outside Havering Pension Fund's normal course of business.



## Areas of Audit Focus

### Significant risk

Misstatements due to fraud and error: Incorrect posting of investment valuation and income journals

#### What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

The Pension Fund posts year-end manual journals in relation to the valuation of its investments as well as investment income. There is a risk that, due to fraud or error, investment journals posted into the general ledger are incorrect. This could result in a misstatement of year-end investment values and in year investment income.

#### What judgements did we focus on?

The posting of incorrect investment valuation journals and investment income journals at year-end to the Pension Funds' general ledger. The reporting of incorrect investment valuations and income would impact the performance and funding level of the Pension Fund.

#### What did we do?

- Verified agreement of the Pension Fund's investment asset holdings as at 31 March 2021, including asset values, and investment income for 2020/21 to source reports from the Pension Fund's custodian and individual fund managers;
- Agreed the reconciliation of holdings included in the Net Assets Statement to the source reports from the Pension Fund's Custodian and Investment Fund Managers.

#### What are our conclusions?

As noted on the next slide, we identified differences of £1.4 million between investment asset valuations as reported in the Pension Fund's Net Asset Statement and direct confirmations received from the Fund manager independent third party valuation reports.

The difference is due to timing differences between the information included in the custodian report, which was used by management to compile the accounts, and the figures in the fund manager reports which reflected the most up to date information as at 31 March 2021.

We are therefore satisfied that the difference is not due to management override.

We have not identified any differences in relation to investment income journals.



# Areas of Audit Focus

## Significant risk

Valuation of complex investments (Level 3 investments including pooled property funds, pooled infrastructure and pooled private debt)

### What is the risk?

The Fund's investments include complex investments, such as pooled property investments. The valuation of such investments are classified under IFRS 13 as Level 3 investments. As such the valuation of Level 3 investments are based on 'unobservable' inputs.

Judgements are taken by the Investment Managers to value those investments whose prices are not publicly available. The material nature of Investments means that any error in judgement could result in a material valuation error. Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

### What judgements are we focused on?

Level 3 investment asset valuations, including the net asset values of each of the individual underlying investments funds. We also considered the potential changes in values where the date of valuation information where is not coterminous with the Pension Fund's year end date of 31 March 2021.

### What did we do and what judgements did we focus on?

For a sample of Level 3 investments:

- Reviewed the basis of valuation for property investments and other unquoted investments and assessed the appropriateness of valuation methods used;
- Compared the investment value included in the Pension Fund's financial statements to direct confirmations from the Fund Managers;
- Obtained copies of the ISAE3402 reports over internal control for any control exceptions raised in relation to the valuation of investments;
- Where available, reviewed the latest audited financial statements for the relevant fund managers and ensured there are no matters arising that highlight material differences in the reported funds valuation within the financial statements;
- Performed analytical procedures and checking the valuation output for reasonableness against our own expectations;
- Reviewed investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 3 investments have been appropriately made in the Pension Fund's financial statements.

### What are our conclusions?

We identified differences between Level 3 investment asset valuations as reported in the Pension Fund's Net Asset Statement and direct confirmations received from the fund manager independent third party valuation reports. This is due to timing differences between the information included in the custodian report, which was used by management to compile the accounts, and the figures in the fund manager reports which reflected the most up to date information as at 31 March 2021.

The differences amount to £1.4 million and result in an understatement of investment assets.

Management have chosen not to amend the differences due to the fact they are not material.

We did not identify any weaknesses in fund manager controls related to investment asset valuation reporting of Level 3 assets.

The Pension Fund's financial statement disclosures of significant judgements surrounding the valuation of Level 3 investments were appropriate.



## Areas of Audit Focus

### What is the risk/area of focus?

#### Going concern disclosure

There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund is still required to carry out a going concern assessment that is proportionate to the risks it faces.

The unpredictability of the current economic environment and also the volatility of the capital markets due to the ongoing impact of Covid as well as the Ukraine-Russia conflict give rise to a risk that the Pension Fund may not appropriately disclose the impact of these issues on their going concern assessment. The disclosure should be underpinned by management's assessment based on the Pension Fund's actual year end financial position and projected performance and cashflows for the going concern period of 12 months from the auditor's report date.

### What did we do?

We are in the process of completing our updated procedures related to this area of focus now that we are close to issuing our audit report.

In terms of the work completed to date, we have:

- Obtained management's initial going concern assessment and reviewed for any evidence of bias and consistency with the accounts;
- Challenged management's identification of events or conditions impacting going concern;
- Reviewed the cashflow forecasts prepared by the Pension Fund;
- Assessed the adequacy of going concern disclosures in the Pension Fund's draft financial statements.

Our review of the initial disclosure on going concern has not identified any issues. However, this disclosures will need to be revisited at the point the pension fund statements are authorised for issue to ensure that these remain appropriate to the Pension Fund's circumstances for the foreseeable future (the next twelve months).

Management provided us with the updated cashflow forecast covering period to March 2026 along with the supporting assessment and we are on the process of reviewing this. We will also request management to update their going concern disclosures in the accounts.



# 03 Audit Report



# Audit Report

## Draft audit report

### Our draft opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HAVERING ON THE PENSION FUND'S FINANCIAL STATEMENTS - DRAFT

#### Opinion

We have audited the pension fund financial statements for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March 2021; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Operating (Section 151) Officer's use of the going concern basis of accounting in the preparation

of the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of Chief Operating (Section 151) Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

#### Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the Statement of Accounts 2020/21.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



# Audit Report

## Draft audit report

### Our opinion on the financial statements

#### Responsibility of the Chief Operating (Section 151) Officer

As explained more fully in the Statement of the Chief Operating (Section 151) Officer Responsibilities set out on page 19, the Chief Operating (Section 151) Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Operating (Section 151) Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional

misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.

We understood how Havering Pension Fund is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management/head of internal audit/those charged with governance/monitoring officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Pension Board minutes and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and opportunities for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures we identified the manipulation of journal entries of the investment asset valuations and investment income to be our fraud risk.

To address our fraud risk we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements and confirmed investment income through third party evidence.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business



# Audit Report

## Draft audit report

### Our opinion on the financial statements

rationale of any identified significant transactions that were unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the members of London Borough of Havering, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Havering and the London Borough of Havering members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Luton  
xx xx 2024



# 04 Audit Differences





# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of unadjusted and adjusted differences

We highlight misstatements greater than £0.44 million which have been identified during the course of our audit.

### Unadjusted audit differences

Valuation of Level 3 investments:

There are uncorrected audit differences arising from procedures performed on the valuation testing of Level 3 investments which in total would increase the value of the Pension Fund assets by £1.4 million. These differences were identified based on direct confirmations received from the fund managers for the Level 3 investments. This is due to timing differences between the information included in the custodian report, which was used by management to compile the accounts, and the figures in the fund manager reports which reflected the most up to date information as at 31 March 2021.

Management have chosen not to make the amendment in the Pension Fund accounts due to the fact that the differences are not material. The Audit Committee should also confirm they are satisfied with Management’s decision through approval of the Letter of Representation.

### Other audit differences

Our audit also identified a limited number of minor disclosure misstatements mostly relating to the narratives in the Annual Report which our team have highlighted to management for amendment. These have been corrected during the course of the audit and relate to disclosure and presentational matters in the Statement of Accounts.

In addition, there were material errors identified in classification of LGIM investments amounting to £175 million (2020/21) and £124 million (2019/20) impacting on Note 16A – fair value hierarchy disclosure. While the error does not have an impact on the Pension Fund’s Account and Net Asset Statements, the disclosure note should be updated to correct the classification of Investments from Level 1 to Level 2. Furthermore, Note 16A included a line called ‘loans and receivables’ under financial assets amounting to £20 million (2020/21) and £31 million (2019/20). which should not be included in the disclosure and £3.8 million (2020/21) and £7.5 million (2019/20) of cash deposits and investment income due which should be included as part of ‘financial assets at fair value through profit and loss – level 1’ in the same disclosure note. As these errors also impact on 2019/20, a prior year adjustment will be required. We are currently consulting internally on this and will require the Pension Fund to update their accounts for these differences. The Pension Fund will also need to include full disclosures relating to the prior period adjustment in line with IAS 8.

Our audit is not yet fully complete and further differences may be identified during the completion of the outstanding procedures.



## 05 Other reporting issues

## Other reporting issues

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### Consistency of other information published with the financial statements

We must give an opinion on the consistency of the Pension Fund financial statements within the Pension Fund Annual Report with the Pension Fund financial statements in the Statement of Accounts of London Borough of Havering. The audit of the statement of accounts of London Borough of Havering for the year ended 31 March 2021 is not yet complete, so we are unable to complete our consistency checks. We will update the Committee on our findings from completion of these procedures at the next Committee meeting.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We have had no reason to exercise these duties.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Pension Fund's financial reporting process. We have no matters to report.



06

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

### Our responsibilities

It is the responsibility of the Pension Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Pension Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

### Findings

As reported in Section 4 – Audit differences, errors were identified in relation to Note 16A – fair value hierarchy disclosures. The errors occurred due to an error in the assessment of investment classification and not following the LGPS Fund example accounts and disclosure checklist (the Code) by the Pension Fund. We recommend that the Pension Fund should perform a robust review and assessment of its investments and their proper classifications to ensure the error does not recur in future years and also undertake a detailed review of the accounts to ensure compliance with the requirements of the Code.



07

Independence

## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Pension Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Pension Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The next page includes a summary of the fees in relation to the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted. We confirm that we have not undertaken non-audit work.

## Other communications

### EY Transparency Report 2022

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended June 2023:

[ey-uk-2023-transparency-report.pdf](#)

## Relationships, services and related threats and safeguard

### Services provided by Ernst & Young

As part of our reporting on our independence, we set out below a summary of the fees in relation to the year ended 31 March 2021.

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for the Department for Levelling Up, Housing and Communities.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

On completion of the audit we will finalise our fees and provide supporting details to the Chief Financial Officer. Any fee increases in relation to Code work also need to be approved by PSAA.

	Proposed fee 2020/21	Final fee 2019/20
	£'s	£'s
Scale fee – Code work	16,170	16,170
Changes in work required to address professional and regulatory requirements and scope associated with risk	38,842 (b)	14,300 (a)
Additional fee in respect of work on admitted body – London Borough of Havering – non code work	5,000 (c)	4,000 (c)
Triennial membership data testing	N/A	8,000 (d)
Additional level 3 investment valuation procedures	3,000 – 5,000 (e)	N/A
Additional going concern procedures	2,000 – 3,000 (f)	N/A
Analytics charge	2,500 (g)	N/A
Prior year disclosures error	1,500 – 2,000 (h)	N/A
Other additional fees	TBC (i)	N/A
Total fee	TBC	42,470

*All fees exclude VAT*

See next slide for notes on the fees per the above table

## Relationships, services and related threats and safeguard

### Notes on fees

- (a) For 2019/20, PSAA approved a fee variation of £14,300 in addition to the scale fee of £16,170. The additional fees represents the cost incurred as a result of additional work required in response to increased FRC challenge and covid-19 impact on completion and investment valuations.
- (b) We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the PSAA tender exercise for this audit. For 2020/21, as in the previous year, we have therefore proposed increases to the scale fee to take into account a number of risk factors including: Procedures to address the risk profile of the Pension Fund; Additional work to address increase in Regulatory Standards; Client readiness and IT support for Data Analytics. The proposed scale fee increase is subject to determination by PSAA.
- (c) Additional fee to take into account the work required to respond to IAS19 assurance requests from the admitted body – London Borough of Havering. This is not subject to PSAA determination.
- (d) Fee relates to the triennial valuation 2019 – membership data testing. This is not subject to PSAA determination.
- (e) Additional audit procedures performed relating to the valuation of LEVEL 3 Investments, where we have a significant risk.
- (f) Additional procedures relating to the going concern, which we identified as an area of focus for 2020/21.
- (g) Due to system change during the middle of the year, two sets of data analysers were required to perform the audit. This also includes the audit team review of the completeness of the data migration from old to new system.
- (h) This variation relates to the work carried out on prior year errors related to fair valuer hierarchy disclosures plus the required internal consultation.
- (i) Other additional fees includes but not limited to the following:
  - ISA 540 accounting estimate- £600-£1,000
  - Consideration of 2022 triennial valuation - £500
  - Review of the final pension fund accounts – TBC

Other fee variations may arise up to signing of the pension fund statements since audit is still ongoing at the time of writing this report



# 08 Appendices

## Audit approach update

We summarise below our approach to the audit of the net assets statements and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the net assets statement include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

There are no changes to our audit approach to the Pension Fund's net assets statement when compared to the prior year audit.

## Appendix B

# Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report – April 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – April 2021
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report – April 2023 Audit Results Report – May 2024

# Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	<p>Audit Results Report -April 2023 Audit Results Report – May 2024</p>
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	<p>Audit Results Report -April 2023 Audit Results Report – May 2024</p>
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	<p>Audit Results Report -April 2023 Audit Results Report – May 2024</p>
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	<p>Audit Results Report -April 2023 Audit Results Report – May 2024</p>

## Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	<p>Audit Results Report - April 2023                      Audit Results Report - May 2024</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>• Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>• Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>• Related safeguards</li> <li>• Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>• A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> </ul>	<p>Audit Planning Report - April 2021 and                      Audit Results Report - April 2023                      Audit Results Report - May 2024</p>

# Appendix B

		 Our Reporting to you
Required communications	 What is reported?	  When and where
	<ul style="list-style-type: none"> <li>• Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>• Details of any contingent fee arrangements for non-audit services</li> <li>• Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>• The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report -April 2023 Audit Results Report - May 2024

## Appendix B

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	This Audit Results Report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	This Audit Results Report
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	This Audit Results Report
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit planning report is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit Planning Report April 2021 and This Audit Results Report

# Management representation letter - Draft

Having Pension Fund anticipated draft, based on the current position of the audit. Further representations may be required

## Management Representation Letter

[To be prepared on the entity's letterhead]

[Date]

Debbie Hanson  
Ernst & Young LLP  
400 Capability Green  
Luton  
LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of Havering Pension Fund ("the Fund") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2020 to 31 March 2021 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2021, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.

# Management representation letter

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

6. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because [specify reasons for not correcting misstatement]

## **B. Non-compliance with laws and regulations including fraud**

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.

1. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties

# Management representation letter

- Involving management, or employees who have significant roles in internal control, or others
  - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.
- C. Information Provided and Completeness of Information and Transactions
1. We have provided you with:
    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
    - Additional information that you have requested from us for the purpose of the audit.
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  2. You have been informed of all changes to the Fund rules.
  3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
  4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date [date].
  5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
  6. We confirm the completeness of information provided regarding annuities held in the name of the [members of the management of the Fund. {
  7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
  8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

# Management representation letter

9. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

10. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

## D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 26 to the financial statements all guarantees that we have given to third parties.

## E. Going Concern

1. Note 2 to the financial statements discloses all the matters of which we are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

## F. Subsequent Events

1. Other than events after the reporting period as described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

## G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises of Statement of Accounts 2020/21, other than the financial statements and the auditor's report.

# Management representation letter

2. We confirm that the content contained within the other information is consistent with the financial statements.

## H. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

## I. Derivative Financial Instruments

1. We confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the [members of the management of the Fund] at the Fund's year end and the terms and conditions relating thereto.

Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

## J. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

## K. Actuarial valuation

1. The latest report of the actuary Hymans Robertson LLP as at 31 March 2021 and dated 30 April 2021 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

## L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value the fund assets and liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

# Management representation letter

## M. Estimates

### Level 3 Investments and IAS 26 valuation Estimates

1. We confirm that the significant judgments made in making the estimates have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimates..
3. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

*Yours faithfully,*

\_\_\_\_\_  
(Chief Financial Officer)

\_\_\_\_\_  
(Chair)

## Appendix C

# Management representation letter

Uncorrected misstatements 31 March 2021 (Currency'000)	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Comprehensiv e Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors (Factual misstatements)						
Level 3 Investment valuations understatement						
• Investments (Net asset statement)				1,424,000		
• Change in value of investments (Fund account)		(1,424,000)				

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#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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