

# Havering Pension Fund Audit results report

Year ended 31 March 2023

07 August 2024



Building a Better  
working world



Havering Pension Fund

07 August 2024

Dear Audit Committee/ Pension Committee Members,  
2022/23 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 16 October 2024 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2023 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, 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, the exercise of professional judgement 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 information and use of the 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 Audit Committee meeting on 16 October 2024.

Yours faithfully

*MARK HODGSON*

Mark Hodgson

Partner

For and on behalf of Ernst & Young LLP

Encl

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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 (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/psaa-statement-of-responsibilities-of-auditors-and-audited-bodies-up-to-2022-23/>). 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 from 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 London Borough of Havering and Havering Pension Fund in accordance with our engagement letter. 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 London Borough of Havering and 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 tabled at the 16 April 2024 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with no scope changes.

## Status of the audit

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

- Going concern disclosures will need to be revisited up to 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 e.g. at least covering the next twelve months;
- Testing of membership data system change. We are waiting for supporting evidences for the samples selected from the Pension Fund;
- Completion of triennial membership data testing. Our testing is substantially complete, we are just resolving few queries for some of the samples;

### *Closing Procedures*

- 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 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.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Financial Statements which could influence our final audit opinion, a current draft of which is included in Section 03 of this report.

## 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.

Our audit has also identified a 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 04 of this report.

# Executive Summary (cont'd)

## Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Havering Pension Fund. 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 explained within the 'Areas of Audit Focus' section of this report and summarised below.

<b>Fraud risks</b>	
Misstatements due to fraud or error (management override)	<p>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.</p> <p>We have completed our work in this area and identified an internal control deficiency relating to journals authorisation. Please refer to Section 06 for more details.</p>
Misstatement due to fraud or error (Incorrect posting of investment valuation and investment income journals)	<p>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.</p> <p>We have completed our work in this area and have identified differences between Fund Manager reports and our direct confirmations in relation to various investments with a net impact of £2.683 million.</p>
<b>Significant risk</b>	
Valuation of complex investments (Level 3 Investments)	<p>We undertook additional procedures, as described more fully in Section 02 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.</p> <p>We have completed our work in this area. We identified differences of £2.683 million between Fund Manager reports and our direct confirmation in relation to various investments including Level 3 as described in Section 04 of this report.</p>
Incomplete transfer of membership data from Altair to UPM system	<p>At the time of writing, the work on this area is currently on-going. We are waiting for evidences for the samples selected from the Pension Fund.</p> <p>We will provide verbal update on this area on the Committee meeting.</p>
<b>Areas of audit focus</b>	
IAS 26 disclosures - Actuarial Present Value of Promised Retirement Benefits	<p>We carried out procedures to address this area of audit focus as set out in our Audit Plan and did not identify any issues.</p>



# Executive Summary (cont'd)

## Control observations

During the audit, we identified control deficiency relating to journals authorisation. Refer to Section 06 of the report for more details.

## Independence

Please refer to Section 07 for our update on Independence.



## 02 Areas of Audit Focus



# Areas of Audit Focus

## Misstatements due to fraud or 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 valuation and investment income journals. This consideration is set out on the next page.

### What judgements we focused on?

The risk of management override at Havering Pension Fund is mainly through the possibility that management could override controls and manipulate financial transactions which intend to adjust the Pension Fund's Fund Account or Net Asset Statement.

This could be done through manipulation of manual adjustments, including via manual journals, in the preparation of financial statements or through management bias in accounting estimates.

### Our response to the key areas of challenge and professional judgement

- 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.

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 journals testing did not identify any journal entries without a valid business purpose, but we identified journals where the preparers can directly post journals without an authorisation. These has been raised as internal control deficiency. Please refer to Section 06 for more details. No evidence of management bias identified.

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

Misstatements due to fraud or error: Incorrect posting of investment valuation and investment 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 are the key judgement?

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.

## Our response to the key areas of challenge and professional judgement

- Verified agreement of the Pension Fund's investment asset holdings as at 31 March 2023, including asset values, and investment income for 2022/23 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 £2.683 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 2023.

We are therefore satisfied that the difference is indicative of Management Override.

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

# Areas of Audit Focus

## Valuation of complex investments (Level 3 investments)

### What is the risk?

The Fund's investments include complex investments, such as private debt, infrastructure and pooled property funds' investments. We have identified the valuation of investments, particularly complex investments, as an area of specific risk.

Judgements are taken by the Fund 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 2023.

### Our response to the key areas of challenge and professional judgement

For a sample of Level 3 investments we:

- Reviewed the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used;
- Compared the investment value included in the Pension Fund's financial statements to direct confirmations from the Fund Managers;
- Obtained and reviewed internal control reports for fund managers to identify any internal control issues which could impact on valuations and assessed whether this would have an impact on the valuations provided by the fund managers;
- 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 2023.

The aggregate differences of all types of investments assets which include Level 3 investments amount to £2.683 million and result in an understatement of Investment Assets. Management have chosen not to amend for this difference 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

## Incomplete transfer of membership data from Altair to UPM system

### What is the risk?

The Pension Fund has transferred members data from Local Pension Partnership Administration's (LPPA) Altair system to its new Universal Pensions Management (UPM) system during period 8 (November 2023) of the 2022/23 financial year.

There is a risk that this transfer is not complete or accurate and has not been fully reconciled between the two systems.

### Our response to the key areas of challenge and professional judgement

- We reviewed the process that the Pension Fund and the Local Pensions Partnership Administration (LPPA) have gone through in preparing and executing the transfer;
- Reconciled the reports from the old and new system to agree the transfer; and
- Tested members from the old and new systems to ensure they have been transferred correctly.

### What are our conclusions?

We concluded there are no issues in the procedures performed by Pension Fund and LPPA in preparation and execution of the transfer.

We also did not identify issues in our reconciliation of the reports from the old and new system.

At the time of writing the report, the members data testing are on-going. We are waiting for evidence for the samples selected from the Pension Fund.

We will provide verbal update on this area on the committee meeting.

# Areas of Audit Focus (cont'd)

## IAS 26 disclosure – Actuarial present value of promised retirement benefits

### What is the risk/area of focus

The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amounts to £157 million as at 31 March 2023 (£579 million as at 31 March 2022).

The figure is material and subject to complex estimation techniques and judgements by the actuary, Hymans Robertson. The estimate is based on the membership data as of 31 March 2022 following the triennial valuation in 2021/22, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.

There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2023.

### What did we do and our conclusion?

We have:

- Evaluated whether the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.
- Engaged EY Pensions to review the roll forward procedures associated with the IAS 19 reports of the administering authority (London Borough of Havering) which supports our IAS 26 disclosures work.
- Evaluated and placed reliance on EY Pension's and PwC's review of the underlying pension IAS19 assumptions used by the actuary, which also support the IAS 26 figures.
- Assessed the competence of management experts, Hymans Robertson as the Pension Fund's actuary.

We have not identified any issues from these procedures.



# 03 Audit Report



## Our opinion on the financial statements

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

## Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). 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 2022/23.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of its assets and liabilities and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

## 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 Council as administering authority for 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 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 Finance (Section 151) Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance (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 2022/23, other than the financial statements and our auditor's report thereon. The Chief Finance (Section 151) Officer is responsible for the other information contained within the Statement of Accounts 2022/23.

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.

# Audit Report (cont'd)

# DRAFT

## Our opinion on the financial statements

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.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

Responsibility of the Chief Finance (Section 151) Officer

As explained more fully in the Statement of the Chief Finance (Section 151) Officer's Responsibilities set out on page 20, the Chief Finance (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 2022/23, and for being satisfied that they give a true and fair view. The Chief Finance (Section 151) Officer is also

responsible for such internal control as the Chief Finance (Section 151) Officer 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 Finance (Section 151) Officer is responsible for assessing the 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 Administering Authority either intends to cease operations, or has 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 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 Chief Finance (Section 151) Officer.

## Our opinion on the financial statements

## Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the 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 the Fund is complying with those frameworks by making enquiries of the management. 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 involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. 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.
- 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 rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- 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.

- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation of the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

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 (as amended) 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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Hodgson (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Cambridge  
[Date]





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 audit differences

### Corrected Audit Differences

We highlight the following misstatements greater than £0.44m which have been corrected by management that were identified during the course of our audit:

- Material error identified in classification of LGIM investments amounting to £164 million in 22/23 impacting 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.
- Differences noted in Purchases and Sales in Note 14a between the accounts and Northern Trust listing amounting to £0.71 million and £0.74 million, respectively.

### Disclosure Audit Differences

Our audit also identified a limited number of minor disclosure misstatements 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. We do not deem any to be so significant as to merit reporting to you.

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

# 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 audit differences

### Unadjusted Audit Differences

In addition, we highlight the following misstatements to the financial statements which were not corrected by Management. We ask that the Audit Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Fund Account Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Uncorrected misstatements 31 March 2023 (Currency'000)						
Errors						

#### Known differences:

- ▶ Investment assets – aggregate understatement of investment assets valuation 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 confirmations received from Fund Manager which reflected the most up to date information as at 31 March 2023.

(2,683)

2,683





05

## Other Reporting Issues



# Other Reporting Issues

## Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2022/23 with the audited Pension Fund financial statements. We have no inconsistencies to draw to your attention.

In addition, we also perform procedures to ensure the consistency of the Pension Fund accounts with the version presented in the Pension Fund's Annual Report. This work is currently in progress.

## 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 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 had no reason to exercise these duties in relation to Havering Pension Fund.

## 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 Fund's financial reporting process.

We were required to perform additional testing to provide assurance on the whole Pension Fund membership data that was submitted to the actuary for the 31 March 2022 triennial valuation of the Pension Fund. In total, we sample tested 125 member records, checking information back to source evidence to verify the data points contained in the Pension Fund's membership system were accurate.

Our work on this area is substantially complete but we are resolving few queries for some of the samples and waiting for responses from the Pension Fund.

We are only required to conduct procedures on the triennial membership submission once every 3 years. Therefore, there is an additional fee this year for completion of these procedures. This is set out in Section 07 of this report.

# Other Reporting Issues

## Other matters (continued)

We commenced the 2022/23 audit of Havering Pension Fund in November 2023. There have been delays in the Pension Fund providing the data requested and responding to queries for the triennial membership data testing and membership data system transfer testing. There will be an additional audit fees associated with the additional time it has taken the audit team to progress these areas as a result of these delays. This additional audit fees is set out in Section 07 of this report. We will continue to work with officers of the Pension Fund to conclude the audit on a timely basis, subject to the resolution of outstanding matters as outlined in Appendix B of this report.

Except for our observations on the control environment, as set out in Section 06 of this report, we have no other matters to report.

# Other Reporting Issues

## ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
  - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
  - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

### Audit Procedures

We performed the following procedures:

We obtained an understanding of the IT processes related to the IT applications of the Fund. The Fund has two relevant IT applications for the purposes of ISA 315 risk assessment.

- We performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.
- When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.
- We reviewed the following processes for all two relevant IT applications:
  - Manage vendor supplied changes
  - Manage security settings
  - Manage user access
  - Job scheduling and managing IT process

### Audit findings and conclusions

No significant issues were identified in our review of the various processes, including the design and implementation effectiveness of relevant controls around the financial statement close process. We have not tested the operation of any controls through this review.



06

# Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

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. 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.

During our journal entries testing, we identified instances where the Finance team can post journals directly to the system without separate authorisation. These only relates to journals posted by Finance team and not other pension fund journals coming from other departments as for these type of journals, there were journal request templates to be accomplished and approved before they are posted in the system. For the journals posted by the Finance team without authorisation, we are content that these did not result to significant misstatements in the accounts as prior to the production and release of the draft accounts, the Pension Fund manager already carried out review of all the postings which made up the accounts and we did not identify any material issues in relation to this during the audit.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2023 audit.

	High	Moderate	Low	Total
Open at beginning of 2022/23	0	0	1	1
New points raised in 2022/23	0	0	0	0
Total open points as at 2022/23	0	0	1	1

Key:

- A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
- Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
- Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

# Assessment of Control Environment (cont'd)

(1)

Area

Journals authorisation (Finance team)

Rating

Low

Observation

We identified instances where the Finance team can post journals directly to the system without separate authorisation. These only relates to journals posted by Finance team and not other pension fund journals coming from other departments as for these type of journals, there were journal request templates to be accomplished and approved before they are posted in the system. For the journals posted by the Finance team without authorisation, we are content that these did not result to significant misstatements in the accounts as prior to the production and release of the draft accounts.

Recommendation

We recommend that Pension Fund should undertake a proper journal authorisation for every journals before being posted to the system and this should be performed by a different individual and by a more senior member of the Finance team.

Management Response

Pension fund journals raised by Pension Fund Finance team to be approved by the Pension Fund Manager going forward (24/25).



07

# Independence

# Independence

## Confirmation

We are not aware of any inconsistencies between Ernst & Young (EY)'s policy for the supply of non-audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised, and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers, managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

## Relationships

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the 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 2022 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2023

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 year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



# Relationships, services and related threats and safeguards

## Services provided by Ernst & Young

There are no services provided by EY from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

The table includes a summary of the fees due to EY in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided, and the related threats and safeguards are included below.

We highlight in the table below the most significant services that may be reasonably considered to bear upon our integrity, objectivity and independence.

	Proposed fee 2022/23	Proposed Final fee 2021/22
	£'s	£'s
Scale fee – Code work	24,795	16,170
Changes in work required to address professional and regulatory requirements and scope associated with risk	38,842 (a)	38,842 (a)
Additional Level 3 Investment valuation procedures	5,000 – 7,000 (b)	5,000 – 7,000 (b)
Additional going concern procedures	3,000 – 4,000 (c)	3,000 – 4,000 (d)
Transfer of membership data from Altair to UPM system (new significant risk)	10,000 – 15,000 (d)	N/A
Triennial membership data testing	9,000 – 14,000 (e)	N/A
Other areas attracting additional fees	TBC (f)	5,500 - 7,500
Total fee	TBC	TBC

# Relationships, services and related threats and safeguards

## Services provided by Ernst & Young (continued)

### Notes on fees

- (a) 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 2021/22, 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.
- (b) Additional audit procedures performed relating to the valuation of Level 3 Investments, where we have a significant risk.
- (c) Additional procedures relating to the going concern, which we identified as other area of focus in 2021/22.
- (d) New significant risk for the current year and additional procedures carried out relating to the membership data system transfer from Local Pension Partnership Administration's (LPPA) Altair system to its new Universal Pensions Management (UPM) system during the year.
- (e) The fee related to triennial valuation 2022 – membership data testing. This is not subject to PSAA determination.
- (f) The proposed additional fee range for 2022/23, includes additional procedures in relation to the following areas:
- review by EY Pensions team to support procedures performed on the IAS 26 (actuarial present value of promised retirement benefits) disclosure - £1,000
  - ISA 540 accounting estimate- £1,000-£2,000
  - work to meet the requirements of ISA 240 (fraud assessment) - £500
  - work to meet the requirements of ISA 315 (audit risk assessment, including IT risks) - £5,000
  - 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



# Appendix A - Required communications with the Audit Committee

## Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. 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 Plan – February 2024
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Plan – February 2024
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 - August 2024



# Appendix A - Required communications with the Audit Committee (cont'd)

## 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 related to going concern</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The appropriateness of related disclosures in the financial statements</li> </ul>	Audit Results Report - August 2024
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</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>	Audit Results Report - August 2024
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 entity</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 entity, any identified or suspected fraud involving: <ul 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> </ul> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>• Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit Results Report - August 2024

# Appendix A - Required communications with the Audit Committee (cont'd)

## 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 entity'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 entity</li> </ul>	Audit Results Report - August 2024
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>	Audit Results Report - August 2024
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 - August 2024
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>	Audit Results Report - August 2024

# Appendix A - Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
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 judgements 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> <li>• Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy</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>	<p>Audit Plan – February 2024</p> <p>Audit Results Report - August 2024</p>
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>	Audit Results Report - August 2024

# Appendix A - Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
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>	Audit Results Report - August 2024
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor’s report</li> <li>Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Audit Results Report - August 2024



# Appendix B – Outstanding matters

## Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Going concern review and disclosures	To revisit 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 e.g. the next twelve months	EY
Membership data system change and starters and leavers	Testing is on-going for membership data system change. We are waiting for supporting evidences for the samples selected from the Pension Fund.	EY and management
Triennial membership data testing	Work is on-going for triennial membership data testing. Our testing is substantially complete, we are just resolving few queries for some of the samples and awaiting response from the Pension Fund.	EY and management
Subsequent events review procedures	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Manager, Partner and EQCR Review	Completion of review of audit file	EY
Management representation letter	Receipt of signed management representation letter	EY, management and Audit Committee
Annual Report and Financial Statements consistency	Review of the Pension Fund's Annual Report for consistency with the Pension Fund's financial statements within the administering authority's Statement of Accounts.	EY and management

• We are currently unable to issue the final audit opinion on Havering Pension Fund's financial statements until the audit report on the Administering Authority's (London Borough of Havering) statement of accounts for 2022/23 is issued. We are currently unable to issue the final audit opinion on Havering Pension Fund's financial statements until the audit report on the administering authority's (London Borough of Havering) statement of accounts for 2021/22 is issued. This will form part of the approach to resetting the local audit sector backlog by a backstop date, which is subject to legislation being passed.

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the financial statements and annual report. At this point, no issues have been identified that would cause us to modify our opinion. A draft of the current audit opinion is included in Section 03 of this report.

# Appendix D – Management representation letter

## Management representation letter

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

## Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Mark Hodgson  
Ernst & Young LLP  
One Cambridge Business Park,  
Cowley Road, Cambridge  
CB4 0WZ

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 2023. 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 2022 to 31 March 2023 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2023, 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 2022/23.

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 2022/23.
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 2022/23, and are free of material misstatements, including omissions. We have approved the financial statements.
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 2022/23 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.

# Appendix D – Management representation letter

## Management representation letter (continued)

### Management Rep Letter

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].

7. That you have disclosed to us any significant changes in our processes, controls, policies and procedures that you have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.

#### 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 non-compliance with any legal duty.
- 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
  - 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.

# Appendix D – Management representation letter

## Management representation letter (continued)

### Management Rep Letter

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 and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

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.

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 2022/23.

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.



# Appendix D – Management representation letter

## Management representation letter (continued)

### Management Rep Letter

#### 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 2022/23, other than the financial statements and the auditor's report.
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 2023 and dated 12 May 2023 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.

# Appendix D – Management representation letter

## Management representation letter (continued)

### Management Rep Letter

#### 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.

#### 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, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus 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 or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus are complete and are reasonable in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

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, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

*Yours faithfully,*

Kathy Freeman

Chief Finance (Section 151) Officer

Julie Wilkes

Chair

## EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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