

Report to the Pensions Committee and Board

LONDON BOROUGH OF HARINGEY PENSION FUND

Audit Completion Report
Year ended 31 March 2020

IDEAS | PEOPLE | TRUST



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WELCOME

Introduction

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We have pleasure in presenting our Audit Completion Report to the Pensions Committee and Board. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of the work for the year ended 31 March 2020, specific audit findings and areas requiring further discussion and/or the attention of the Pension Committee and Board. It outlines the further work completed and conclusions since we presented our Audit Progress Report on 23 November.

Any changes made in this report to the report presented at the Committee in November have been highlighted in green text.

At this stage of the audit it is essential that we engage with the Pensions Committee and Board on the results of our audit of the financial statements comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

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

We would also like to take this opportunity to thank the management and staff of the Pension Fund for their ongoing co-operation and assistance during the audit.

Leigh Lloyd-Thomas

4 March 2021



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Pensions Committee and Board and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

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This summary provides an overview of the audit matters that we believe are important to the Pensions Committee and Board in reviewing the results of the audit of the financial statements of the Pension Fund for the year ended 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



Overview

Our audit work has been successfully completed and we proposed issuing our opinion on the pension fund financial statements for the year ended 31 March 2020 at that same date that we conclude on the Council and Group financial statements.

We were unable to conclude the audit by the 30 November 2020 deadline due to delays in completing the audit of the Council and Group Statement of Accounts.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

Audit report

We anticipate issuing an unmodified audit opinion on the financial statements as set out on page 33.

THE NUMBERS

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Final materiality

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

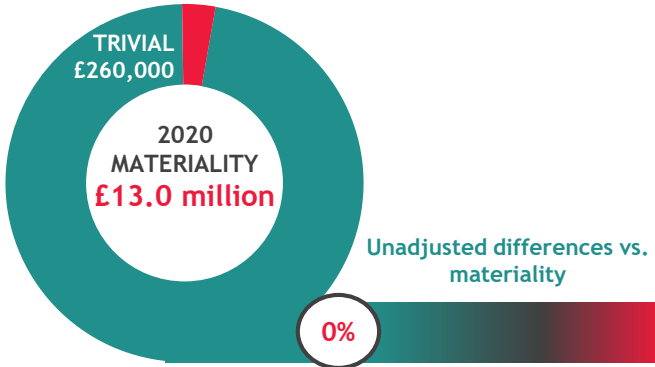
Specific materiality on the fund account was based on 5% of contributions.

We decreased our materiality from the planning Materiality of £13.7 million to £13.0 million as a result of the decrease in the valuations of investment assets at year end.

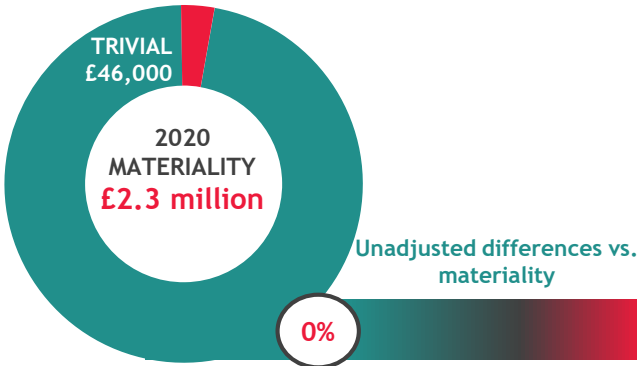
Audit differences

We have not identified any audit differences that require correction.

Financial statements materiality



Fund account materiality



OTHER MATTERS

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Financial reporting

- We have not identified any non-compliance with accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient.
- The Pension Fund Annual Report is consistent with the financial statements and our knowledge acquired in the course of the audit.

Other matters that require discussion or confirmation

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

Independence

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



CORONAVIRUS IMPACT

The effects on year-end reporting and auditing

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The emergence and spread of Coronavirus has had an effect on business and markets around the world. Guidance is now available to assist in identifying the potential corporate reporting and auditing issues and consequences of the virus, and there have been a number of local government specific issues, including relaxations to accounts preparation and audit timetables.

However, given the fast moving and ever changing nature of the situation, aspects of this guidance will change over time. The outbreak is an in-year event and will impact the valuations, estimations and disclosures reflected in the financial statements for periods ending on or after 31 March 2020.

Going concern

In respect of going concern, the Chief Finance Officer is required to consider events that have occurred both before and after the balance sheet date when determining whether there is a material uncertainty over the ability to continue as a going concern. Consequently, forecast financial information and sensitivity analysis (which may require additional and/or different potential variances to be included) will need to factor in the estimated effects of the Coronavirus pandemic.

A common approach that is developing, and which BDO is encouraging, in relation to each set of financial statements that is prepared for audit is:

- The assessment of going concern the Chief Finance Officer is required to undertake needs to explicitly consider the impact of Coronavirus to accommodate the uncertainty prevailing and must cover the period of at least 12 months from the date of signing the financial statements. The assessment may not be limited to this period if there are foreseen events or conditions beyond this period which may influence the economic decisions of users.
- The assessment needs to consider the entity’s resilience through three lenses - operational capability (closed locations, reduced workforce through illness), demand for services (effect on income and expenditure) and structural finance (liquidity and access to committed facilities).

- If the Chief Finance Officer consider that there are material uncertainties, this will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).
- The going concern disclosures in the basis of preparation note in the financial statements will also need to be enhanced.

Within local government, the Government’s commitment to ensure that local authorities are adequately compensated for additional expenditure incurred or income lost directly as a result of the Coronavirus pandemic, removes some of the uncertainty faced by non-public sector entities. However, the assessment of going concern, and associated disclosures in the financial statements, are still expected to fully consider and record the impact of Coronavirus.

The auditor’s review of Chief Finance Officer’s assessments must be greater than normal, will require more evidence, and will continue to be performed through to the point of signing the audit report.

Valuations of financial and non-financial assets and liabilities

Data used in valuations of financial and non-financial assets and liabilities should be based on forecasts, projections and assumptions that were reasonable and supportable at the balance sheet date. For 31 March 2020 year ends, given that the significant development and spread of Coronavirus occurred within the financial year and that the World Health Organisation announced a global health emergency on 31 January 2020, the estimated impact of the Coronavirus pandemic will need to be factored into this data.

Pension Fund Annual Report

Pension Funds will need to monitor developments and ensure that they are providing up-to-date and meaningful disclosures when preparing their Annual Reports.

CORONAVIRUS IMPACT

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Other guidance

The National Audit Office (NAO) has published a Guide for audit committees on financial reporting and management during the Coronavirus pandemic. This guide aims to help Audit Committee members support and challenge the organisations they work with in the following areas: annual reports, financial reporting, control environment and regularity of expenditure.

The NAO has set out some questions to help audit committee members understand and challenge activities. Each section can be used on its own, although the NAO would recommend that audit committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and audit committees consider reporting in the 2020/21 period when more specific and detailed reporting on the outbreak will be required.

The guide is available through the following link:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

Implications for auditors

As part of our on-going risk assessment procedures, we need to think about other specific areas and balances where Coronavirus might cause an issue and if this presents an additional risk:

- Valuation and disclosure of financial assets particularly those investments that are illiquid or not subject to Level 1 observable market prices
- Going concern and/or working capital assessment and disclosure
- Risk disclosures
- Subsequent event disclosures.

Personnel from audited entities may be unable to carry out their roles on site and/or be available to meet physically with our audit teams. Likewise, our people may be unable to work at audited entity sites or to travel to our offices, thereby potentially affecting the performance, review and supervision of the engagement team, including that of component or other auditors. We need to:

- Consider the impact on the audited entity
- Consider alternative ways of working including the use of our technology tools
- Consider implications for the quality of audit evidence and reporting.

Valuers are also encouraged by updated RICS guidance to include caveats within valuation reports relating to potential material uncertainties in their assessed valuations. In these cases, such caveats may be included within the financial statements and may be referred to by the auditor in their opinion/report.

AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated 21 February 2020 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant management estimate or judgement	Use of experts required	Error Identified	Significant control findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	No	No
Pension liability valuation	Significant	Yes	Yes	No	No	Discussion points: <ul style="list-style-type: none"> Limited information provided by the actuary for GMP and McCloud liabilities Representations: <ul style="list-style-type: none"> Actuarial assumptions
Valuation of property, infrastructure and private equity investments	Significant	Yes	No	No	No	No
Valuation of investment assets (other)	Normal risk	No	No	No	No	No
Benefits payable	Normal risk	No	No	No	No	No
Contributions receivable	Normal risk	No	No	No	No	No

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MANAGEMENT OVERRIDE OF CONTROLS

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

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

Risk description

The auditor’s responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Work performed

We carried out the following planned audit procedures:

- Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation;
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

Results

Our audit work to date on journals testing has not identified any issues that would indicate management override in preparing the financial statements.

Our views on significant management estimates are set out in this report and from the work completed to date, does not indicate any evidence of systematic bias in preparing the financial statements.

We have not found any unadjusted audit differences.

Conclusion

Our audit work did not identify any issues with management override of controls.

PENSION LIABILITY VALUATION

Risk description

An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. This year the membership data provided will be obtained in full as part of the triennial valuation. The estimate also considers all local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. The triennial valuation should enable the most up-to-date membership information to be included in the liability calculation.

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

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

Work performed

We carried out the following planned audit procedures:

- Reviewed the competence of the management expert (actuary);
- Reviewed the controls in place for providing accurate membership and cash flow data to the actuary and testing the data provided at the triennial valuation;
- Checked that any significant changes in membership data since the triennial submission have been communicated to the actuary;
- Assessed how the actuary has addressed recent discrimination cases in the liability calculation; and
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.

Results

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

The final report from the actuary indicated that after the data validation stage, the membership data submitted by the Fund for the 2019 valuation was suitable for the purpose of the funding valuation. This membership data is rolled forward for use in the 31 March 2020 accounting valuation. We have tested and agreed a sample of data provided to the actuary and used in the roll forward valuation at 31 March 2020 to ensure data provided is accurate and complete.

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

The following discrimination cases covering GMP gender equality, McCloud age discrimination and Goodwin spousal pensions are currently subject to remedy action that is likely to impact on liability to pay future pensions.

The actuary has applied full GMP indexation for members at state pension age and this is consistent with all local government actuaries at 31 March 2020. No GMP indexation was included in the pension liability in the previous year and we estimated that this would increase the liability by £6.2 million based on information provided across all LGPS schemes by the Government Actuary Department.

Significant risk	
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
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Letter of representation point	
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PENSION LIABILITY VALUATION

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Results (continued)

We requested that the actuary separately identify the increase in liability this year due to GMP indexation to allow us to compare this to other LGPS funds. However, the actuary responded that this is not separately identified within the overall liability and that the Council would have to request (and pay) for this as a separate report. We are therefore not able to report on the impact of GMP indexation on the overall liability.

The actuary has included the impact of McCloud by providing additional prudence in funding plans for employer contribution rates in the triennial valuation rather than the inclusion of the estimated liability. The accounting IAS 26 valuation has included the impact of the McCloud judgement although this has not been separately identified within the overall liability. In the previous year the actuary provided an updated valuation to include additional liabilities arising from McCloud of £8 million. We requested that the actuary separately identify the increase in liability this year due to McCloud to allow us to compare this to other LGPS funds and the estimate in the previous year. However, the actuary responded that this is not separately identified within the overall liability and that the Council would have to request (and pay) for this as a separate report. We also enquired whether the liability includes the remedy for all members in the scheme at 2014 (as originally expected) or had been updated to require that members to be active at 2012 (as per the latest MHCLG consultation) as this would reduce the McCloud liability. Again, this information has not been provided.

In July, HM Treasury announced that it would be amending the Teachers Pension scheme to remove the differential in survivor pensions for same sex marriage or civil partnerships following the Goodwin case, and this will also apply to other public sector pension schemes. This extends the qualifying years of service for a female member who died after December 2005 that will increase the pension of a surviving male spouse to the same basis as the pension of a same sex surviving spouse. This is expected to result in higher survivor pensions although the actuary has not included this in the pension liability. Initial discussions with actuaries suggests that the impact will not be material.

Representations required

We have sought specific representations over material assumptions used in the valuation of the pension liability including the financial and mortality assumptions (see next page).

Conclusion

The defined benefit obligation has been appropriately calculated and the assumptions used are reasonable.

While the actuary has not provided us with separate identifiable amounts for GMP indexation and McCloud this year to compare with other LGPS and the previous year estimates, and no liability has been included for the Goodwin case, the impact of these estimates are not material to the fund liability calculated under IAS 26.

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PENSION LIABILITY VALUATION

Significant estimate - financial and mortality assumptions

Scheme pension liabilities £1,815 million

< lower Impact of assumptions on the estimate higher >



The pension liability has decreased by £273 million, from £2,088 million to £1,815 million. The reduction in the liability includes: £156 million for changes to financial assumptions such as reduced annual salary increases above CPI at 2.9% (previously 3.1%), reduced annual pension increases at 1.9% (previously 2.5%) offset by a fall in the rate of discounting scheme liabilities to 2.3% (previously 2.4%); £39 million from demographic assumptions and reduced longevity of members; and other reductions arising from updated membership data from the 2019 triennial valuation.

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

	Actual used	Acceptable range	Comments
Financials:			
- RPI increase	2.90%	2.70 - 2.90%	Reasonable
- CPI / pensions	1.90%	1.80 - 2.00%	Reasonable
- Salary increase	2.90%	1.80 - 2.90%	Reasonable - short term assumption of lower rate and increasing long term assumption
- Discount rate	2.30%	2.30%	Reasonable
Commutation:			
- Pre 2008 service	50%	25 - 75%	Reasonable
- Post 2008 service	75%	25 - 75%	Reasonable
Mortality:			
- Male current	22.7 years	21.6 - 23.3	Reasonable
- Female current	25.3 years	24.6 - 26.3	Reasonable
- Male retired	21.5 years	20.5 - 22.2	Reasonable
- Female retired	23.7 years	22.9 - 24.3	Reasonable
Mortality gains	CMI 2018 (+1.25% improvement rate) with Club Vita local adjustments		Reasonable

We consider that the assumptions and methodology used by the actuary are appropriate, and will result in an estimate of the pension liability which falls within a reasonable range. Our actuary has provided an estimate of the overall strength of assumptions and this indicates that the estimate has tended towards a slightly prudent (higher) liability mainly due to using the CMI 2018 mortality gains rather than the latest available CMI 2019 tables.

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PROPERTY, INFRASTRUCTURE & PRIVATE EQUITY

There is a risk that property funds, infrastructure funds and private equity valuations may not take into account the impact of Covid-19 at 31 March 2020.

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

Risk description

The Fund holds £141 million in UK property pooled investment vehicles managed by CBRE (£93 million) and Aviva (£48 million). The Fund also holds £113 million of unquoted private equity and infrastructure investment assets, managed by Pantheon (£71 million), BlackRock (£26 million) and Copenhagen Infrastructure Partners (£16 million). The valuations for these investments may be subject to a significant level of assumption and estimation and valuations may not be based on observable market data. The impact of Covid-19 may also impact on the valuation of the investments or the cash flows and discount rates applied to the valuation of the infrastructure projects. As a result, we consider there to be a significant risk that investments may not appropriately valued in the financial statements.

Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers;
- Confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds since the last audited financial statements;
- Assessed whether investments have been correctly valued in accordance with relevant accounting policies; and
- Assessed whether the impact of Covid-19 had been taken into account by the fund managers at 31 March 2020 and if there is material uncertainty over the valuation of the underlying assets or infrastructure projects.

Results

The CBRE global fund (£93 million) invests in offices, retail, residential, industrial and other property types through its own funds and in other property sub-funds and reported that residential, office, and industrial rent collection was close to normal levels but due to Covid-19 less than a third of retail rents were collected on the Quarter day. The valuation provided by CBRE using December property valuations was updated by the custodian at 31 March to take into account the impact of Covid-19 on property valuations.

We note that the Fiera Real Estate sub-fund issued a suspension notice on 25 March 2020 on the redemption of units in the Long-Income fund. The Pension Fund's holding in this fund was £3.7 million.

Units in the Aviva Lime Property Fund (£48 million) were purchased in 2019/20 and invests in UK long-income high quality properties. We obtained and agreed the valuation to the fund manager report. We reviewed published information for this fund and note that, while it continued to provide daily pricing, it suspended activity and redemptions due to material uncertainty over property valuations issued by the fund's property valuer and to preserve liquidity.

PROPERTY, INFRASTRUCTURE & PRIVATE EQUITY

There is a risk that property funds, infrastructure funds and private equity valuations may not take into account the impact of Covid-19 at 31 March 2020.

Results (continued)

We have considered the impact of the valuation uncertainty for these property funds for our audit opinion. We are of the view that the valuation uncertainty, covering £51.7 million of assets, is not of such significance against total investments of £1.329 billion to require specific reference in our audit report. However, we suggest that these uncertainties over the fund pricing should be disclosed in the valuation notes.

The Pantheon private equity fund (£71 million) invests across various global capital markets. We have agreed the initial 31 March valuations to the fund manager reports and also agreed the December valuations through to the audited financial statements of the funds. We were also provided with an updated 'flash' report showing the adjusted valuations which had been discounted overall by 7.4% to allow for the impact of Covid-19 on valuations at 31 March. We have finalised our analysis of the valuation movements from the audited December valuations to the updated flash reports at 31 March to confirm that appropriate adjustments have been made to reflect the impact of Covid-19.

The BlackRock Global Renewable Power Fund (£26 million) invests primarily in renewable power and other climate change based infrastructure. We have agreed the valuation to the fund manager reports. We determined that sufficient allowances to the market valuation have been made at 31 March to reflect the uncertainty at the reporting period date.

The Copenhagen Infrastructure Partners fund (£16 million) invests in long-term contracted energy infrastructure in the UK, Germany, Spain, the US and Taiwan. We have agreed the valuation to the fund manager reports. We have also received copies of the audited financial statements of the fund to provide independent confirmation of the holding. We determined that sufficient allowances to the market valuation have been made at 31 March to reflect the uncertainty at the reporting period date.

Cash balances held by fund managers (Pantheon and Blackrock) totalling £0.7 million have been reported by the custodian but have not been recorded on the fund manager investment valuation report at 31 March 2020 that we have received. As these are not material we have not sought additional confirmation of these cash balances from the fund manager. However, we would suggest that management seek confirmation direct from fund managers of cash balances held where these are not reported in the fund manager investment valuation reports to provide additional assurance that these balances exist and have not been included in the investment valuations and double-counted in the custodian reports.

Conclusion

We have not identified any issues regarding the valuations of property, infrastructure and private equity investments at 31 March 2020.

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

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

Risk description

The fair value of other funds (principally unit trusts and pooled investments held through unitised insurance policies) is provided by individual fund managers and reviewed by the Custodian, and reported on a monthly basis. These funds are quoted on active markets. There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers;
- Ensured that investments had been correctly valued in accordance with the relevant accounting policies; and
- Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.

Results

We obtained and agreed valuations to direct confirmation of investment valuations from the fund managers.

We reviewed the independent assurance reports over controls at fund managers for valuations and no exceptions were noted.

Valuations of investments are based on generally accepted basis.

We note that the analysis of investments disclosures (Note 14b) has reported the majority of the funds held as “Unitised insurance policies - UK - quoted”, “Unitised insurance policies - Overseas - quoted” and “Other managed funds - Other - Overseas - quoted”. While these descriptions are technically correct, this provide limited information to the user of the financial statements to indicate the nature of the investments held or exposure within these various funds. We have requested that you provide additional information and analysis to show the investments held within these unitised insurance policies as UK quoted fixed interest gilt funds, Overseas quoted equity funds, UK infrastructure debt funds, Overseas quoted corporate bond funds and Overseas quoted equities unit trust funds.

Conclusion

We have not identified any issues regarding the valuation of other investment assets.

BENEFITS PAYABLE

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

Risk description

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

Work performed

We carried out the following planned audit procedures:

- For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, we checked a sample of calculations of pension entitlement;
- Checked the correct application of annual pension uplift for members in receipt of benefits;
- Checked a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member and also review the results of the 'Tell Us Once' notification from HRMC to ensure future payments have been suspended for any bereavements identified;
- Reviewed any life certification exercises undertaken for members that are excluded from the National Fraud Initiative; and
- Agreed amounts recorded in the ledger for benefits paid to the pensioner payroll reports.

Results

Annual pension uplifts have been correctly applied at 3% and we did not identify any issues regarding the payment of benefits to pensioners.

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

Conclusion

We have not identified any issues regarding benefits payable.

Significant risk	
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
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CONTRIBUTIONS RECEIVABLE

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

Significant risk
Normal risk
Significant management estimate or judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
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Risk description

Employers are required to deduct amounts from employee pensionable pay based on tiered pay rates and to make employer normal and deficit contributions in accordance with rates agreed with the actuary. Additional contributions are also required against pension strain for unreduced pensions for early retirements and augmentation of pensions.

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

Work performed

We carried out the following planned audit procedures:

- Tested a sample of normal contributions due (and additional deficit contributions where included in a higher employer rate) for active members including checking to employer payroll records;
- Reviewed contributions receivable and ensured that income is recognised in the correct accounting period where the employer is making payments in the following month;
- Performed tests over capital cost due from employers for pension strain due to early retirement; and
- Carried out audit procedures to review contributions income in accordance with the Actuary’s Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate

Results

We have not identified any errors in our sample testing of contributions receivables.

Conclusion

We have not identified any issues regarding contributions receivable.

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OTHER MATTERS

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Issue	Comment
Presentation and missing disclosures in the accounts	Our review of the draft accounts identified a number of presentational and other missing disclosures. Management has amended the financial statements for the issues identified. There remain a number of disclosure notes that are not material to the fund and therefore do not need to be reported. Management has chosen to leave these in the report.

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MATTERS REQUIRING ADDITIONAL CONSIDERATION

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Fraud

Whilst the Director of Finance and Members have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud.

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

Laws and regulations

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

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

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

We have not identified any audit differences that require correction.

UNADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

We are required to bring to your attention other financial reporting matters that the Pensions Committee is required to consider.

We have advised that the following notes are not material and could be removed from the financial statements:

- Note 13 taxation as not material
- Note 15 derivatives as the fund does not have these
- Note 18d interest rate financial instruments risks as not material
- Notes 24 agency services as the fund does not provide such services.

We have also advised that Note 16 Fair Value Hierarchy, whilst meeting the requirements of the code, could be enhanced by including the carrying value at year end of each asset description. This would enable the user of the accounts to match valuation uncertainties easily to Note 14b Analysis of investments.

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

Matter	Comment
We are required to report on whether the financial and non-financial information in the Pension Fund Annual Report is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the Pension Fund Annual Report is consistent with the financial statements and our knowledge.

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SIGNIFICANT DEFICIENCIES

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

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

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

Significant deficiencies

We have not identified any significant deficiencies in controls.

Other matters

We have previously identified an issue with the fund manager fees charged by Pantheon as there does not appear to be any independent check of the fees deducted at source.

Management has stated that it believes that the custodian checks and agrees these deductions for basic, performance and carried interest fees although we have not been able to confirm that these are independently checked and agreed by the custodian. There remains a risk that the fund manager fees deducted at source may not be correct and should be agreed to the fees schedules and agreement with Pantheon.

We have previously recommended the fund put in place an agreement with Pantheon setting out the maximum amount of fees that can be charged.

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Opinion on financial statements

We anticipate issuing an unmodified audit opinion on the financial statements as set out on page 33.

Conclusion relating to going concern

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

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

Other information

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

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

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

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2020.

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

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

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

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

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

FEES

Fees summary

	2019/20 Proposed £	2019/20 Planned £	2018/19 Actual £
Audit fee			
Code audit fee	16,170	16,170	16,170
Additional audit fee	^{(1) (2)} £9,000	⁽¹⁾ £5,000	
Extra fee for work on triennial valuation membership	⁽³⁾ £3,000	⁽³⁾ £3,000	
Total fees	28,170	24,170	16,170

(1) Proposed additional fees £5,000 in response to expectations of auditors to undertake additional work around management judgements and estimates, and to obtain additional corroborating evidence for areas of risk.

(2) Additional work £4,000 in response to heightened risk over valuations for private equity, infrastructure and property funds as a result of Covid on 31 March 2020 valuations, and impact of RICS valuation uncertainty and suspension of some property funds.

(3) The actuary has undertaken a full triennial valuation of the fund in 2019 and updated membership data will be used in the 31 March 2020 accounting valuation (IAS 19 for employers and IAS 26 for the whole fund) and the following two years. We are required to carry out extra testing each triennial valuation to ensure the membership data is accurate and the data extraction processes between the membership data system and the actuary is complete and accurate.





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OUR RESPONSIBILITIES

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Our responsibilities and reporting

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

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

What we don’t report

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



ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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	Issue	Comments
1	Significant difficulties encountered during the audit.	The audit has been very challenging as a result of the Covid-19 lockdown. This has meant that staff on both sides are working from home and therefore the face to face communication/ review of files has not been possible resulting in increased time being spent to both sides in relation to the audit.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

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Those Charged with Governance (TCWG)

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

Communication, meetings and feedback

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

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Planning report	21 February 2020	Pension Fund Committee and Board
Audit progress report (this report)	17 November 2020	Pension Fund Committee and Board
Audit completion report	4 March 2020	Pension Fund Committee and Board

OUTSTANDING MATTERS

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We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2020.

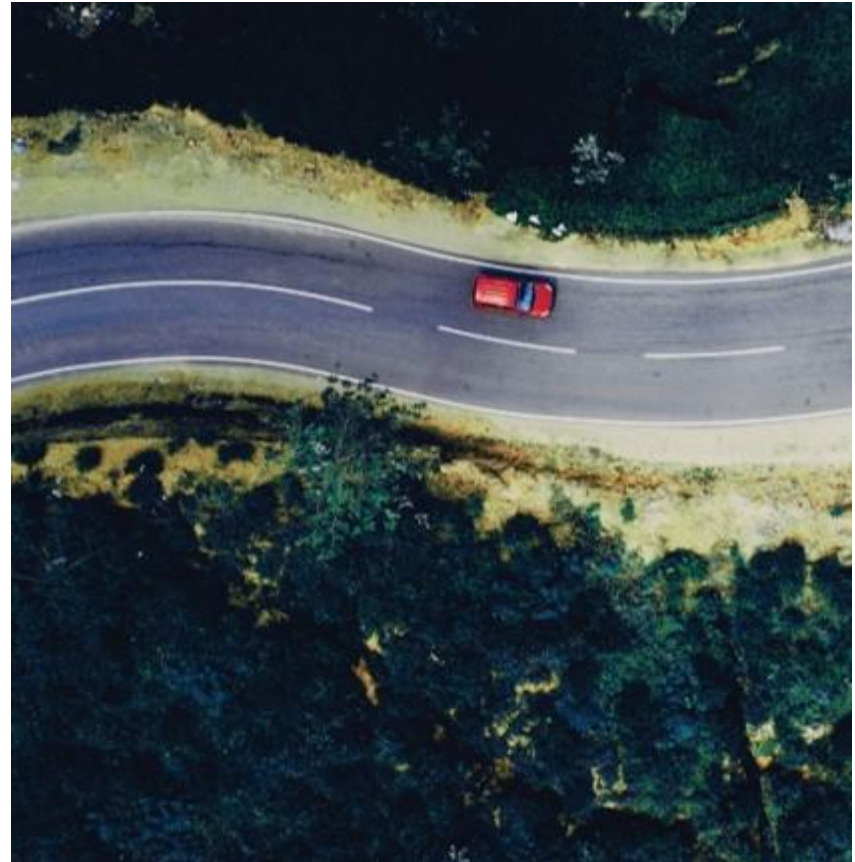
The following items and information requested are outstanding at the date of this report but are not likely to impact our audit opinion:

- Complete testing on reported membership numbers; and
- Obtain a controls report from CQS fund managers.

We will update you on their current status at the Pension Fund Committee and Board meeting at which this report is considered.

The following will also need to be completed before we are able to issue the audit report:

- Receiving a signed letter of representation; and
- Completion of file including clearing all quality control review points and the signing of the file by partner and quality control reviewer.



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Opinion on pension fund financial statements

We have audited the pension fund financial statements of London Borough of Haringey (“the pension fund”) for the year ended 31 March 2020 which comprise the fund account, the net assets statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The framework that has been applied in the preparation of the pension fund financial statements is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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 2020 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2020, other than the liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 (“Code of Audit Practice”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. 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 Financial Reporting Council’s Ethical Standard, 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the pension fund financial statements and our auditor’s report thereon. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge obtained in 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 pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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Responsibilities of the Chief Financial Officer and London Borough of Haringey (“the Council”) as administering authority of the pension fund

As explained more fully in the Statement of the Chief Financial Officer’s Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which comprises 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, and for being satisfied that the financial statements give a true and fair view.

In preparing the pension fund financial statements, the Chief Financial 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 Council intends to wind up the scheme or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

In respect of our audit of the pension fund financial statements our objectives are to obtain reasonable assurance about whether the pension fund 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.

A further description of our responsibilities for the audit of the financial statements is located at 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 Haringey, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor’s 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 Council and the Council’s members, as a body, for our audit work, for this report, or for the opinions we have formed.

Leigh Lloyd-Thomas

For and on behalf of BDO LLP, Appointed Auditor

London, UK

FRC PRACTICE AID FOR AUDIT COMMITTEES

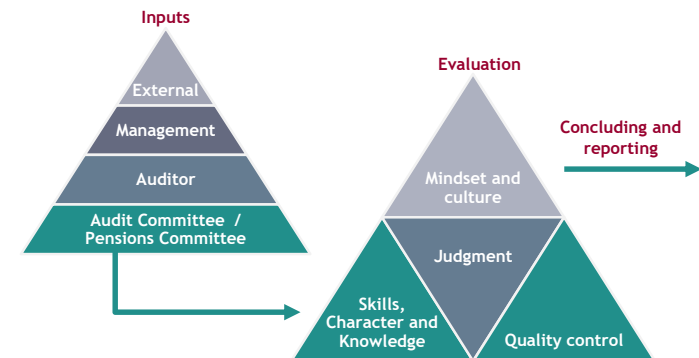
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The FRC issued an updated practice aid for Audit Committee / Pensions Committees in December 2019 and a full copy can be found on the [FRC website](#). In their practice aid the FRC note: 'The directors of a company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the company's internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and worthy basis for taking decisions.'

The practice aid then discusses how the role of Audit Committee in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non audit services work, ensuring their independence and challenging them over the quality of their work falls to the Audit Committee and can play a key role in facilitating a high quality audit (see note below).

It gives guidance for Audit Committee / Pensions Committees in the following areas:

- Audit tenders and the tender process including audit fee negotiations and auditor independence
- A model for use by Audit Committee / Pensions Committees in making an overall assessment of an external auditor including inputs, evaluations and concluding:



- Transparency - reporting to the Board on how the Audit Committee / Pensions Committee has discharged these responsibilities
- Some guidance on key areas of audit judgement

The provision of high quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high quality audits. A copy of the letter can be found on the [FRC website](#).

LETTER OF REPRESENTATION

BDO LLP
55 Baker Street
London
W1U 7EU

[Client name and Letter headed paper]

Dear Sir / Madam

Financial statements of London Borough of Haringey Pension Fund for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of the Pension Fund's financial statements for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Pension Fund as of 31 March 2020 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

Going concern

We have made an assessment of the Pension Fund's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release.

As a result of our assessment we consider that the Pension Fund is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note 2 to the financial statements are sufficient.

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

Laws and regulations

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

Post balance sheet events

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

Fraud and error

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

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

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

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LETTER OF REPRESENTATION

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

Misstatements

You have not advised us of any unadjusted misstatements in the financial statements or other information in the Annual Report.

Related party transactions

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

Other than as disclosed in note 25 to the financial statements, there were no loans, transactions or arrangements between the Pension Fund and Corporation members or their connected persons at any time in the year which were required to be disclosed.

The disclosures in the financial statements concerning the Council as Administering Authority of the Pension Fund are accurate.

Carrying value and classification of assets and liabilities

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

Accounting estimates

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

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

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

- Rate of inflation (CPI and pensions): 1.9%
- Rate of increase in salaries: 2.9%
- Rate of discounting scheme liabilities: 2.3%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities (male current 22.7 years and retired 21.5 years / female current 25.3 years and retired 23.7 years).

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

Litigation and claims

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

Confirmation

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

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

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

Jon Warlow

Director of Finance

[date]

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AUDIT QUALITY

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BDO is totally committed to audit quality

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

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

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

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

More details can be found in our Transparency Report at www.bdo.co.uk



FOR MORE INFORMATION:

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

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