



# ENFIELD PENSION FUND

## AUDIT COMPLETION REPORT

Audit for the year ended 31 March 2018

19 July 2018

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# WELCOME

We have pleasure in presenting our Audit Completion Report to the Audit and Risk Management Committee. 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 completing the planned audit approach for the year ended 31 March 2018, specific audit findings and areas requiring further discussion and/or the attention of the Audit and Risk Management Committee. At the completion stage of the audit it is essential that we engage with the Audit and Risk Management Committee on the results of 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.

We look forward to discussing these matters with you at Audit and Risk Management Committee meeting on 26 July 2018, and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

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 and use of resources. This report has been prepared solely for the use of the Audit and Risk Management Committee and those charged with governance. 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.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

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# OVERVIEW

This summary provides an overview of the audit matters that we believe are important to the Audit and Risk Management Committee in reviewing the results of the audit of the financial statements and use of resources of the Council for the year ended 31 March 2018.

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.

AUDIT SCOPE AND OBJECTIVES	
Audit status	We have completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to resolution of matters set out in the outstanding matters section below.
Audit risks update	No additional significant audit risks were identified during the course of our audit procedures subsequent to our Audit Planning Report to you dated 7 March 2018.
Materiality	Our final materiality is £10.9 million. We have reduced our materiality from £11 million to £10.9 million as a result of being provided the updated current year figures in the draft financial statements.
Changes to audit approach	There were no other significant changes to our planned audit approach, nor were any restrictions placed on our audit.
KEY AUDIT AND ACCOUNTING MATTERS	
Material misstatements	Our audit identified no material misstatements.
Unadjusted audit differences	<p>We are required to bring to your attention audit differences that we have identified, but you are not proposing to adjust. These include:</p> <ul style="list-style-type: none"> <li>• Management fees (unit price) have been overstated due to a data entry error and foreign exchange rates not being applied as required. This results in an overstatement of management fees and understatement of change in market value of £90,152.</li> <li>• The pension fund received a refund for the reversal of a transfer that had been made out of the pension fund, but incorrectly recorded this as a transfer in, rather than a reversal of a transfer out. This resulted in an overstatement of both transfers in and transfers out by £87,221, but there is no bottom line effect from this error, as they net off.</li> </ul>

# OVERVIEW

## KEY AUDIT AND ACCOUNTING MATTERS CONTINUED

Control environment	Our audit identified no significant deficiencies in internal controls.
Other financial reporting issues	There are no other financial reporting issues to report.

## AUDIT OPINION

Financial statements	Subject to the successful resolution of outstanding matters set out on page 5, which are largely procedural, we anticipate issuing an unmodified opinion on the financial statements for the year ended 31 March 2018.
Other information	We propose issuing an unmodified opinion on the consistency of the other information in the Statement of Accounts as this is consistent with the financial statements and our knowledge.

## OTHER MATTERS FOR THE ATTENTION OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix III.
Management letter of representation	The draft Management Letter of Representation, to be approved and signed, is set out in Appendix V.

# OUTSTANDING MATTERS

We have completed our audit work for the year ended 31 March 2018, and anticipate issuing an unmodified opinion on the financial statements.

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

- 1 Subsequent events review

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  - 2 Technical clearance

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  - 3 Final review and approval by the Audit and Risk Management Committee of the Statement of Accounts

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  - 4 Management letter of representation, as attached in Appendix V to be approved and signed
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## KEY AUDIT AND ACCOUNTING MATTERS

### AUDIT RISKS OVERVIEW

We assessed the following matters as significant audit risks, as identified in our earlier Audit Planning Report dated 7 March 2018.

Key: ■ Significant risk ■ Normal risk ■ Other issue

AUDIT RISK AREA	SIGNIFICANT MANAGEMENT JUDGEMENT	USE OF EXPERTS REQUIRED	ERROR IDENTIFIED	CONTROL FINDINGS	LETTER OF REPRESENTATION POINT	DISCUSSION POINTS FOR AUDIT AND RISK MANAGEMENT COMMITTEE
Management override of controls	Yes	No	No	No	Yes	None
Revenue Recognition (Contributions)	No	No	Yes: immaterial, unadjusted	No	No	None
Fair value of investments (Infrastructure and Private Equity)	Yes	No	No	No	No	None
Fair value of investments (Other)	No	No	No	No	No	None
Investment management expenses	No	No	Yes: immaterial, unadjusted	No	No	None
Membership Disclosure	No	No	No	No	No	None

AUDIT RISK AREA	SIGNIFICANT MANAGEMENT JUDGEMENT	USE OF EXPERTS REQUIRED	ERROR IDENTIFIED	CONTROL FINDINGS	LETTER OF REPRESENTATION POINT	DISCUSSION POINTS FOR AUDIT AND RISK MANAGEMENT COMMITTEE
Consideration of related party transactions	No	No	No	No	Yes	None
Pension Liability Assumptions	Yes	No	No	No	No	None
Fraud and Error	No	No	No	No	Yes	None



# KEY AUDIT AND ACCOUNTING MATTERS

## CONTINUED

### AUDIT RISKS

Below we set out how these risks have been addressed and the outcomes of our procedures.

Key: ■ Significant risk ■ Normal risk ■ Other issue

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1	<p><b>Management override of controls</b></p>	<p>Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.</p> <p>By its nature, there are no controls in place to mitigate the risk of management override.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>• Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud</li> <li>• Obtained an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.</li> </ul>	<p>No issues have been identified in our review of the appropriateness of journal entries and other adjustments made to the financial statements.</p>

# KEY AUDIT AND ACCOUNTING MATTERS

## CONTINUED

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
<p>2</p> <p><b>Revenue recognition (Contributions)</b></p>	<p>Under ISA (UK) 240 there is a presumption that income recognition presents a fraud risk.</p> <p>For pension funds, the risk can be identified as affecting the completeness, accuracy and existence of contributions income.</p>	<p>We carried out audit procedures to update our understanding of the pension fund's internal control environment for receiving and recording contributions income in accordance with the schedule of contributions, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period.</p> <p>We also carried out a detailed analytical review comparing movement in employer and employee normal contributions based on changes in active members and member grade bandings.</p> <p>A sample of contributions and transfers in during the year were also vouched to member payroll records and supporting documents respectively.</p>	<p>Testing of a sample of contributions to payslips, to ensure the correct level of contributions are being paid by both the employer and the employee agreed with no differences.</p> <p>For transfers in, we identified a transaction where a refund for a transfer out of the pension fund was received and incorrectly recorded as a transfer into the pension fund. This resulted in an overstatement of both transfers in and transfers out by £87,221. There is no bottom line effect for this adjustment, as the two errors net each other off overall.</p> <p>No further errors were noted over contributions.</p>

# KEY AUDIT AND ACCOUNTING MATTERS

## CONTINUED

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
<p><b>3</b></p> <p><b>Fair value of investments (Infrastructure and private equity)</b></p>	<p>The investment portfolio includes unquoted infrastructure and private equity holdings valued by the General Partner or fund manager using valuations provided by the underlying partnerships. The valuation of these assets may be subject to a significant level of assumption and estimation and valuations may not be based on observable market data.</p> <p>In some cases, the valuations may be provided at dates that are not coterminous with the pension fund's year-end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations.</p> <p>As a result, we consider there to be a significant risk that investments are not appropriately valued and correctly recorded in the financial statements.</p>	<p>We have obtained direct confirmation of investment valuations from the fund managers in order to vouch investment valuations at the year end.</p> <p>We confirmed that the financial statement date supporting the valuation is coterminous with the pension fund's year-end, and therefore there has not been a need for adjustments to be made to the valuations in respect of additional contributions to and distributions made from the funds.</p>	<p>Confirmations received from fund managers have been agreed to the valuations disclosed within the financial statements with only trivial differences arising.</p> <p>The final investment confirmation was received on 20 June 2018.</p> <p>Investment valuations were found to be coterminous with the year-end and as such no material adjustments were necessary.</p> <p>Investments have been found to be valued in line with the relevant accounting policies.</p>

# KEY AUDIT AND ACCOUNTING MATTERS

## CONTINUED

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
4	Fair value of investments (Other)	<p>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 quarterly basis. These funds are quoted on active markets.</p> <p>There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.</p>	<p>We have obtained direct confirmation of investment valuations from the fund managers and agreed valuations, where available, to readily available observable data.</p> <p>We have ensured that investments have been correctly valued in accordance with the relevant accounting policies.</p> <p>We have obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.</p>	<p>Confirmations received from fund managers have been agreed to the valuations disclosed within the financial statements with only trivial differences arising.</p> <p>Investments have been found to be valued in line with the relevant accounting policies.</p> <p>The assurance reports confirmed that controls operated by both the fund managers and custodian are operating effectively.</p>

# KEY AUDIT AND ACCOUNTING MATTERS

## CONTINUED

5	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
	<p><b>Investment Management Expenses</b></p>	<p>Local Government Pension Fund Accounts are required to disclose investment management expenses.</p> <p>Management expenses included in the pension fund accounts represent the fees for the service provided by and any performance related fees in relation to the fund manager.</p> <p>However, fund managers do not ordinarily provide information on any 'hidden' fees included in investing contributions. These fees are deducted when the investment is made by the fund manager and therefore is included in the change in market value of investments.</p> <p>CIPFA issued guidance in June 2016 on obtaining and separately presenting these additional charges in the fund accounts, in order "to promote transparency, consistency and completeness of financial reporting". There is a clear expectation that LGPS fund accounts should observe this guidance.</p> <p>We consider there to be a risk in the presentation of investment management expenses in the fund accounts where fees are not identified and separately reported.</p>	<p>We have reviewed the arrangements put in place by management to identify all relevant investment management fees, and responses provided by fund managers, to ensure that the true costs are disclosed appropriately in the fund accounts.</p>	<p>We have reviewed investment management expenses by obtaining the investment managers' reports and found that an error relating to one manager where fees were overstated by £90,152 due to data entry error and foreign exchange not being applied.</p> <p>In order to ensure that this is an isolated error, we reviewed all investment management expenses in a foreign currency and found no further errors.</p> <p>Other than the error above all relevant investment fees have been disclosed appropriately in accordance with the Code.</p>

# KEY AUDIT AND ACCOUNTING MATTERS

## CONTINUED

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
6	Membership Disclosure	<p>Membership information including the number of current contributors, deferred beneficiaries and pensioners by employer is required to be disclosed. There is a risk that the membership database may not be accurate and up to date to support this disclosure.</p>	<p>We have obtained membership records and reviewed the controls over the maintenance of these records. We have also undertaken sample testing of movements of members to transactions recorded in the fund account.</p>	<p>The membership numbers report that was run from the Council's pensions system on 03 April 2018 was compared to the disclosure in the accounts, with a total difference of 853 members.</p> <p>The differences were investigated and were due to the report including some active employees and pensioners more than once as they held dual roles and positions within the Council. We obtained the breakdowns of the membership numbers report and identified that the number of duplications agreed to the difference of 853 members identified.</p> <p>In order to ensure that the figures reported are correct, we reviewed the payroll reports and employer returns and agreed the total amount per the returns to the amount disclosed in the draft accounts with no differences. Therefore we consider the disclosure to be appropriate.</p>

# KEY AUDIT AND ACCOUNTING MATTERS

## CONTINUED

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
7	Consideration of related party transactions	<p>We need to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.</p> <p>In particular, requirements to disclose the remuneration of key management personnel applied from 2016/17, as previous exemptions (for remuneration reported elsewhere) became no longer available. This specific requirement needs to be considered to ensure the correct and adequate disclosure in the financial statements.</p>	<p>We have documented the related party transactions identification procedures in place and reviewed relevant information concerning any such identified transactions.</p> <p>We have discussed with management and reviewed Councillors' and Senior Management declarations to ensure that there are no potential related party transactions which have not been disclosed.</p>	<p>We reviewed the declaration forms and carried out Companies House searches, which confirmed that there are no additional related party transactions which have not been disclosed.</p> <p>Review of the related party transactions disclosure in the financial statements confirmed that this disclosure is complete and in line with the Code.</p>

# KEY AUDIT AND ACCOUNTING MATTERS

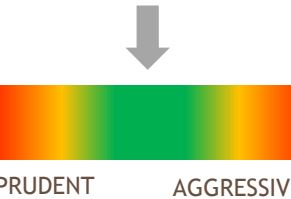
## CONTINUED

8	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
	Pension Liability Assumptions	<p>An actuarial estimate of the pension fund liability to pay future pensions is calculated by Aon, an independent firm of actuaries with specialist knowledge and experience.</p> <p>The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation uses inappropriate assumptions to value the liability.</p>	<p>We reviewed the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate.</p> <p>We also reviewed the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data.</p> <p>We also agreed the disclosure to the information provided by the actuary.</p>	<p>We have agreed the disclosures to the information provided by the pension fund actuary.</p> <p>We have also reviewed the reasonableness of the assumptions used against the PwC IAS19 report and considered them to be appropriate. See further detail below.</p>



CONTINUED

# KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT			AUDIT CONCLUSION	
Pension Liability Assumptions	The actuary has used the following assumptions to value the future pension liability.				
	Whilst this figure is not part of the Fund's primary statements, it is disclosed in the accounts and is included within the primary statements of the Administering Authority. We have compared the assumptions used by your actuary to the expected range and the assessment provided by PwC consulting actuary, to confirm whether the range is reasonable:				
		Actual used	Actuary range		PwC assessment of actuary range to market expectations
	RPI increase	3.2%	3.2%		Reasonable
	CPI increase	2.0%	2.1%		Reasonable
	Salary increase	3.5%	3.1% - 3.6%		Higher end - Reasonable
	Pension increase	2.0%	2.1%		Reasonable
	Discount rate	2.6% - 4.5%	2.6%		Lower end - Reasonable
	Mortality - LGPS:				
	- Male current	26.3 years	23.1-26.6		Higher end - Reasonable
	- Female current	29.2 years	26.3-29.4		Higher end - Reasonable
	- Male retired	24.3 years	22.1-24.5		Higher end - Reasonable
	- Female retired	26.9 years	24.5-27.2		Higher end - Reasonable
	Commutation	50%	50%		Reasonable

# KEY AUDIT AND ACCOUNTING MATTERS

## CONTINUED

### OTHER ISSUES

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

	AUDIT AREA	AUDIT FINDINGS
1	Financial Statements, Notes and Disclosures	The financial statements follow the CIPFA model template for local government pension fund financial statements.
2	Accounting Policies	The accounting policies adopted are consistent with the CIPFA Code.
3	Annual Report	The annual report has been reviewed and is consistent with the financial statements.

# KEY AUDIT AND ACCOUNTING MATTERS

## CONTINUED

### MATTERS REQUIRING ADDITIONAL CONSIDERATION

We comment below on other matters requiring additional consideration:

	AUDIT AREA	AUDIT FINDINGS
1	Fraud	Whilst the Trustees 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 those charged with governance on whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting Audit Planning Report on 7 March 2018.

## OTHER REPORTING MATTERS

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

MATTER	COMMENT
1	We are required to report on whether the financial and non-financial information within the Statement of Accounts 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 Statement of Accounts is consistent with the financial statements and our knowledge.

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## CONTROL ENVIRONMENT

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

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

We note that the Council's internal audit function has issued a number of observations and recommendations on the Council's control environment during 2017/18. We have not repeated these recommendations in this report unless we consider them to highlight significant deficiencies in control which we are required to report to you.

We are not aware of any significant deficiencies in the Council's internal controls in 2017/18.

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# APPENDICES

# APPENDIX I: AUDIT DIFFERENCES

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

## ADJUSTED AUDIT DIFFERENCES

Our audit has not identified any material misstatements.

## UNADJUSTED AUDIT DIFFERENCES

There are 2 unadjusted audit differences identified by our audit work which would increase the net returns on investments by £90,152 if corrected. You consider these identified misstatements to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement however we also request that you correct them even though not material.

## APPENDIX I: AUDIT DIFFERENCES

	£'000	FUND ACCOUNT		STATEMENT OF NET ASSETS	
		DR £'000	CR £'000	DR £'000	CR £'000
Net returns on investments for the year before adjustments	29,265				
(1) Management fee overstatement due to data entry error and not converting foreign currency					
DR Management fee payable		90			
CR Change in Market Value			90		
(2) Refund of transfers out incorrectly recorded as a transfers in					
DR Transfers In				87	
CR Transfers Out					87
<b>TOTAL UNADJUSTED AUDIT DIFFERENCES</b>	-	90	-	87	177
Net returns on investments if adjustments accounted for	29,265				



## APPENDIX II: MATERIALITY

MATERIALITY - FINAL AND PLANNING		
	FINAL	PLANNING
Pension Fund Overall Materiality	£10,900,000	£11,000,000
Specific Materiality - Contributions	£2,000,000	£1,900,000
Specific Materiality - Fund Account	£3,700,000	£3,700,000
Clearly trivial threshold	£218,000	£220,000

Planning materiality for the pension fund financial statements was based on 1% of prior year net assets. Specific materiality for contributions and fund accounts was set at 4.75% of prior year contributions and 7.5% of prior year fund balance. This is the same for the final materiality.

The clearly trivial amount is based on 2% of the materiality level.

Our final materiality has been reduced from planning materiality as a result of being provided the updated current year figures in the draft financial statements.

## APPENDIX III: 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 leads 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 2018.

Details of services, other than audit, provided by us to the Council during the period and up to the date of this report were provided in our Audit Planning Report. We understand that the provision of these services was approved by the Audit and Risk Management Committee in advance in accordance with the Council's policy on this matter.

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 other 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 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.

## APPENDIX IV: FEES SCHEDULE

	2017/18 FINAL PROPOSED £	2017/18 PLANNED £	2016//17 FINAL £	EXPLANATION FOR VARIANCES
Pension Fund audit fee	24,489	24,489	24,489	N/A
<b>TOTAL AUDIT AND CERTIFICATION FEES</b>	<b>24,489</b>	<b>24,489</b>	<b>24,489</b>	
Fees for other non-audit services	-	-	-	N/A
<b>NON-AUDIT ASSURANCE SERVICES</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>TOTAL ASSURANCE SERVICES</b>	<b>24,489</b>	<b>24,489</b>	<b>24,489</b>	

## APPENDIX V: DRAFT LETTER OF REPRESENTATION

### TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP  
16 The Havens  
Ransomes Europark  
Ipswich  
Suffolk  
IP3 9SJ

26 July 2018

Dear Sirs

### Financial statements of Enfield Pension Fund for the year ended 31 March 2018

We confirm that the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2018 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 Statement of Responsibilities of Auditors and Audited Bodies within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 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 2018 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 and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

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

## APPENDIX V: DRAFT LETTER OF REPRESENTATION

In relation to those laws and regulations which provide the legal framework within which the Council'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.

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.

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.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

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

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

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

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

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## APPENDIX V: DRAFT LETTER OF REPRESENTATION

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

RPI increase 3.2%

CPI increase 2.0%

Salary increase 3.5%

Pension increase 2.0%

Discount rate 2.6 %- 4.5%

Mortality: male retired 24.3 years, female retired 26.9 years, male current employee 26.3 years and female current employee 29.2 years

Commutation take up 50%

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

## APPENDIX V: DRAFT LETTER OF REPRESENTATION

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 director and member has taken all the steps that they ought to have taken as a director or member to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

James Rolfe  
Director of Resources  
31 July 2018

Cllr Mahym Bedekova  
Audit and Risk Management Committee Chair  
Signed on behalf of the Audit and Risk Management Committee  
31 July 2018

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# APPENDIX VI: DRAFT AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF ENFIELD PENSION FUND

[INSERT IF MODIFIED]

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## APPENDIX VII: AUDIT QUALITY

### **BDO is totally committed to audit quality**

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

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

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a 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](http://www.bdo.co.uk)

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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 the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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