

**Bromley Pension Fund
Audit results report**

Year ended 31 March 2019

11 November 2019

11 November 2019



Dear Committee Members

We are pleased to attach our Audit Results report for the General Purposes and Licencing Committee. This report summarises our preliminary audit conclusion in relation to the audit of Bromley Pension Fund for 2018/19.

As at the date of this report our audit of Bromley Pension Fund for the year ended 31 March 2019 is substantially complete.

Subject to concluding the outstanding matters listed in our report, we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3.

This report is intended solely for the use of the Pensions Investment Sub-Committee, the General Purposes and Licencing Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S. Park'.

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01 Executive Summary

Executive Summary

Scope update

In our Audit Plan presented to the 4 June 2019 Audit Sub-Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We have carried out our audit in accordance with this plan. There have been no changes in our planned audit strategy. We have updated our planning materiality assessment using the draft accounts and have also reconsidered our risk assessment. Based on our materiality measure of net assets, we have updated our overall materiality assessment to £10.39 million (Audit Plan – £9.67 million). This results in updated performance materiality, 75% of overall materiality, of £7.79 million, and an updated threshold for reporting misstatements of £0.519 million.

Status of the audit

Our audit of the Bromley Pension Fund financial statements for the year ended 31 March 2019 is substantially complete. We have performed the procedures outlined in our Audit Plan. Subject to the satisfactory completion of our final review procedures we anticipate issuing an unqualified opinion in the form which appears at Section 3. However until work is complete, further amendments may arise.

Our final procedures include:

- Review of the final version of the financial statements
- Completing final quality review processes
- Completing a subsequent events review
- Receiving and reviewing the signed management letter of representation.

We will update the 28 November 2019 General Purposes and Licensing Committee on completion of the above procedures.

Audit differences

There are no unadjusted audit differences.

In common with other local government pension schemes this year, whilst the draft accounts were prepared with the most up to date information at the time of preparation, the Fund has subsequently requested updated information from it's actuary to reflect two issues.

The impact of the McCloud case is to increase the total present value of promised retirement benefits by £12 million to £1,213 million.

Executive Summary

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Bromley Pension Fund's financial statements. This report sets out our observations and conclusions, including our views on judgements which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Pensions Investment Sub-Committee or the General Purposes and Licencing Committee.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

There are no significant deficiencies to bring to your attention. We have, however, identified through our work some areas where internal control should be improved. These are considered further in Section 6 of this Report.

Other reporting issues

We have reviewed the information presented in the annual report for consistency with the financial statements and our knowledge of the Fund. We have no matters to report.

Independence

Please refer to Section 7 for our update on Independence. We have no independence issues to highlight.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with our response

Misstatements due to fraud or error*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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

We have identified the posting of journals related to the valuation of investment assets as a specific area where misstatements due to fraud and error may arise.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- We inquired of management about risks of fraud and the controls put in place to address those risks;
- We obtained an understanding the oversight given by those charged with governance of management's processes over fraud;
- We considered the effectiveness of management's controls designed to address the risk of fraud;
- We tested a sample of investment income and asset journals to ensure that they were appropriate
- We performed mandatory procedures regardless of specifically identified fraud risks, including;
 - testing of journal entries and other adjustments in the preparation of the financial statements;
 - reviewing accounting estimates for evidence of management bias; and
 - evaluating the business rationale for significant unusual transactions.
- We utilised our data analytics capabilities to assist with our work, including journal entry testing; and
- We tested journal entries for evidence of management bias and evaluated them for business rationale.
- We reconciled the asset valuations to custodian reports and agreed the valuations to third party evidence such as valuation reports.

What are our conclusions?

We have completed our work in response to this risk.

- We have not identified any material weaknesses in controls or evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied.
- We have not identified any other transactions during our audit which appeared unusual or outside the Fund's normal course of business.
- Our testing has not identified any material misstatements of investment income or year end investment assets as a result of inappropriate journals.



Areas of Audit Focus

Other areas of audit focus

What is the area of focus?

Valuation of Investments under Level 2 Fair Value hierarchy

Level 2 includes pooled funds and private equity investments, where fair value is based on observable inputs such as bid price in the market for similar instruments.

There is a risk that the comparable input are not appropriate and valuation could be misstated.

What did we do?

- ▶ Agreed valuations reported in the accounts (the detailed investments note) to the information in fund manager and custodian reports and investigated any reconciling differences;
- ▶ Checked the Fund's reconciliation of holdings included in the Net Assets Statement back to fund manager and custodian reports; and
- ▶ For quoted investment income we checked that the disclosures agreed to information in the fund manager and custodian reports and publically available information.

We performed our testing without the need to use the work of a specialist.

Our testing has not identified any material misstatements from investment income or year end investment assets.

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

We have not identified any instances of inappropriate judgements being applied.

What are our conclusions?

We have not identified any issues with the valuation of investments under the level 2 fair value hierarchy.



Areas of Audit Focus

Other areas of audit focus

What is the area of focus?

Application of new IFRS standards

The 2018/19 edition of the Code introduces two new financial reporting standards IFRS 9 (financial instruments) and IFRS 15 (revenue from contracts). There is a risk that these new standards have not been appropriately implemented by the Pension Fund.

What did we do?

We have:

- ▶ Assessed the Pension Fund's implementation arrangements that include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- ▶ Considered the classification and valuation of financial instrument assets;
- ▶ Reviewed the new expected credit loss model impairment calculations for assets; and
- ▶ Checked additional disclosure requirements.

There was no significant impact from the application of the new IFRS standards.

What are our conclusions?

There was no significant impact from the application of the new IFRS standards.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF BROMLEY

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

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

Conclusions relating to going concern

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 Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance 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.



Audit Report

Our opinion on the financial statements

Other information

The other information comprises the information included in the “*Statement of Accounts 2018-19*”, other than the financial statements and our auditor’s report thereon. The Director of Finance is responsible for the other information.

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Director of Finance

As explained more fully in the “*Statement of the Responsibilities*” set out on page 40, the Director of Finance is responsible for the preparation of the Authority’s Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance is responsible for assessing the Pension Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.



Audit Report

Our opinion on the financial statements

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
Date

The maintenance and integrity of the London Borough of Bromley's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 Audit Differences





Audit Differences

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

Summary of adjusted differences

At the date of this report there are no unadjusted audit differences arising from our audit. We will update the Committee of any adjustments arising from our work subsequent to issuing this report.

McCloud, GMP and Assets

As noted in the Executive Summary, a national issue has resulted in a relatively late change to the accounts and IAS26 disclosure. It relates to legal rulings regarding age discrimination (commonly known as the McCloud case). Since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government’s appeal against the McCloud ruling, which suggested that the amounts relating to these rulings should be able to be fully calculated. The Fund subsequently requested the actuary to estimate the impact of the McCloud ruling. This has led to an increase the total present value of promised retirement benefits by £12 million to £1,213 million. The Fund has also made some other related disclosures changes, including changes to the disclosure of sources of estimation uncertainty and post balance sheet events.



05 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We have reviewed the consistency of the financial and non-financial information in the Bromley Pension Annual Report with the audited financial statements. We have no matters to report.

Other powers and duties

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

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have nothing to report in respect of these matters.



06

Assessment of Control Environment



Assessment of Control Environment

Financial controls

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

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

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

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. We have, however, identified three areas where internal control should be improved which we consider in the remainder of this Section of our Report.

Assessment of Control Environment

Observation

The Council accounts and Pension Fund accounts are not set up as separate and discrete company codes on the General Ledger. This results in some journal entries appearing to be one-sided in either the Council or Pension Fund accounts. We have undertaken work to show that journals are in balance overall with there then being one final balancing journal transaction which is reflected as a non-material temporary loan by the Council to the Pension Fund on the Fund's Balance Sheet. Although we are satisfied this does not have a material impact on the financial statements internal control should be improved by accounting for the Council and Pension Fund on separate and discrete company codes on the General Ledger.

Recommendation 3

Establish separate and discrete company codes on the General Ledger to fully separate Council and Pension Fund transactions.

Management comment

The financial system currently holds a separate coding range to identify pension fund transactions and balances. However, the way in which the current financial system was configured on implementation in 2006 means that there is no capability to establish separate organisation units (company codes). This will be explored as part of the future financial systems options appraisal which is currently being considered.

Responsible Officer - Chief Accountant, Head of Finance (ASCHH) and Financial Systems Manager

Assessment of Control Environment

Observation

Although Bromley Pension Fund has its own bank account this is not currently used. All cash receipts and payments relating to both the Council and Pension Fund are made out of the main Council bank account. Although we satisfied that cash is correctly disclosed in the Fund's financial statements we note It is a requirement of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 that all pension schemes should operate their own bank account.

Recommendation 4

Use the separate Pension Fund bank account for Pension Fund cash transactions.

Management comment

Some of the work required to implement this recommendation will impact on the Council's external contractor and this requirement was included in the recent tendering of the Exchequer Services contract. However, significant development work will be required to the Council's current financial system to allow the use of a separate bank account. This needs to be incorporated into the financial systems options appraisal to determine whether this work should proceed separately to any future decisions around potential system upgrades/ replacement.

Responsible Officer - Chief Accountant, Head of Finance (ASCHH) and Financial Systems Manager

Assessment of Control Environment

Observation

Manual journals are not subject to any authorisation or second review. Although our review and testing of journals has not highlighted any evidence of material error or fraud, appropriate review of journals prior to posting is a key management control, particularly for significant value journal entries.

Recommendation 5

Establish a proportionate control so that at least significant value manual journals are subject to review and authorisation prior to processing on the General Ledger.

Management comment

A process has been put in place for a sample of journals to be tested on a quarterly basis. This is rotated between members of the finance management team to ensure an independent check across all services. This is in addition to any testing undertaken by internal and external audit.

Responsible Officer - Finance Management Team



07

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 27 March 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that the Audit Committee considers the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the General Purposes and Licensing Committee on 28 November 2019.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19
	£	£	£
Total Audit Fee - Code work	16,170	16,170	16,170

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables; Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Pension Fund; and the Pension Fund has an effective control environment.

A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, blue, white) and sizes, each containing stacks of papers. The background is a textured, light-colored wall.

08 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet.

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

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

Net Assets Statement category	Audit Approach in current year
Investment Assets and Liabilities	Substantively tested all relevant assertions
Current Assets	Immaterial - Substantively tested presentation and disclosure
Cash in hand	Substantively tested all relevant assertions
Current Liabilities	Immaterial - Substantively tested presentation and disclosure
Long term liabilities	Nil disclosure - Substantively tested presentation and disclosure

Appendix B

Summary of communications

Date 	Nature 	Summary 
8 November 2018	Meeting	The lead partner in charge of the audit of Bromley Council (Janet Dawson) and the audit manager for the Pension Fund met with key officers of Bromley Council.
18 February 2019	Meeting	The lead partner in charge of the audit of Bromley Council (Janet Dawson) met with key officers of the Council.
26 February 2019	Meeting	The lead partner in charge of the audit of Bromley Council (Janet Dawson) met with the Audit Sub-Committee as an introductory meeting and set out our initial considerations of risk.
4 April 2019	Meeting	The audit manager met with key officers of the Council to discuss the progress of the audit and discuss emerging issues and the responses to our Assurance letters.
4 June 2019	Meeting/Report	The audit manager of the audit of Bromley Pension Fund, on behalf of the partner in charge of the audit of Bromley Pension Fund (Suresh Patel), presented the audit plan to the Audit Sub-Committee.
28 November 2019	Meeting	The lead partner in charge of the audit of Bromley Council (Janet Dawson) attended the General Purposes and Licensing Committee and discussed the status of the audit of the main Council and presented audit results reports for the main Council and the Pension Fund

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Appendix C

Required communications with the those charged with governance

There are certain communications that we must provide to those charged with governance of the Pension Fund. At Bromley the Audit Sub-Committee and Pensions Investment Sub-Committee receive our reporting but the General Purposes and Licencing Committee is responsible for governance, advised by the Audit Sub-Committee. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the General Purposes and Licencing Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - 4 June 2019 Audit Sub-Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 4 June 2019 Audit Sub-Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issued regarding opening balances on initial audits 	Audit Results Report - 28 November 2019 General Purpose and Licencing Committee

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	We have asked management and those charged with governance. We have not identified any going concern issues.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - 28 November 2019 General Purpose and Licensing Committee
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Pensions Investment Sub-Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have not identified any subsequent events.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the General Purposes and Licencing Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to General Purposes and Licencing Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.

Appendix C

		Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<p>Significant matters arising during the audit in connection with the Fund's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	We have no matters to report.
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Results Report - 28 November 2019 General Purpose and Licensing Committee
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have no matters to report.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - 28 November 2019 General Purpose and Licensing Committee

Appendix C

		Our Reporting to you
Required communications	 What is reported?	  When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the General Purposes and Licencing Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the General Purposes and Licencing Committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Written representations we are requesting from management and TCWG	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - 28 November 2019 General Purpose and Licencing Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the Audit Plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - 4 June 2019 Audit Sub-Committee Audit Results Report - 28 November 2019 General Purpose and Licencing Committee

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