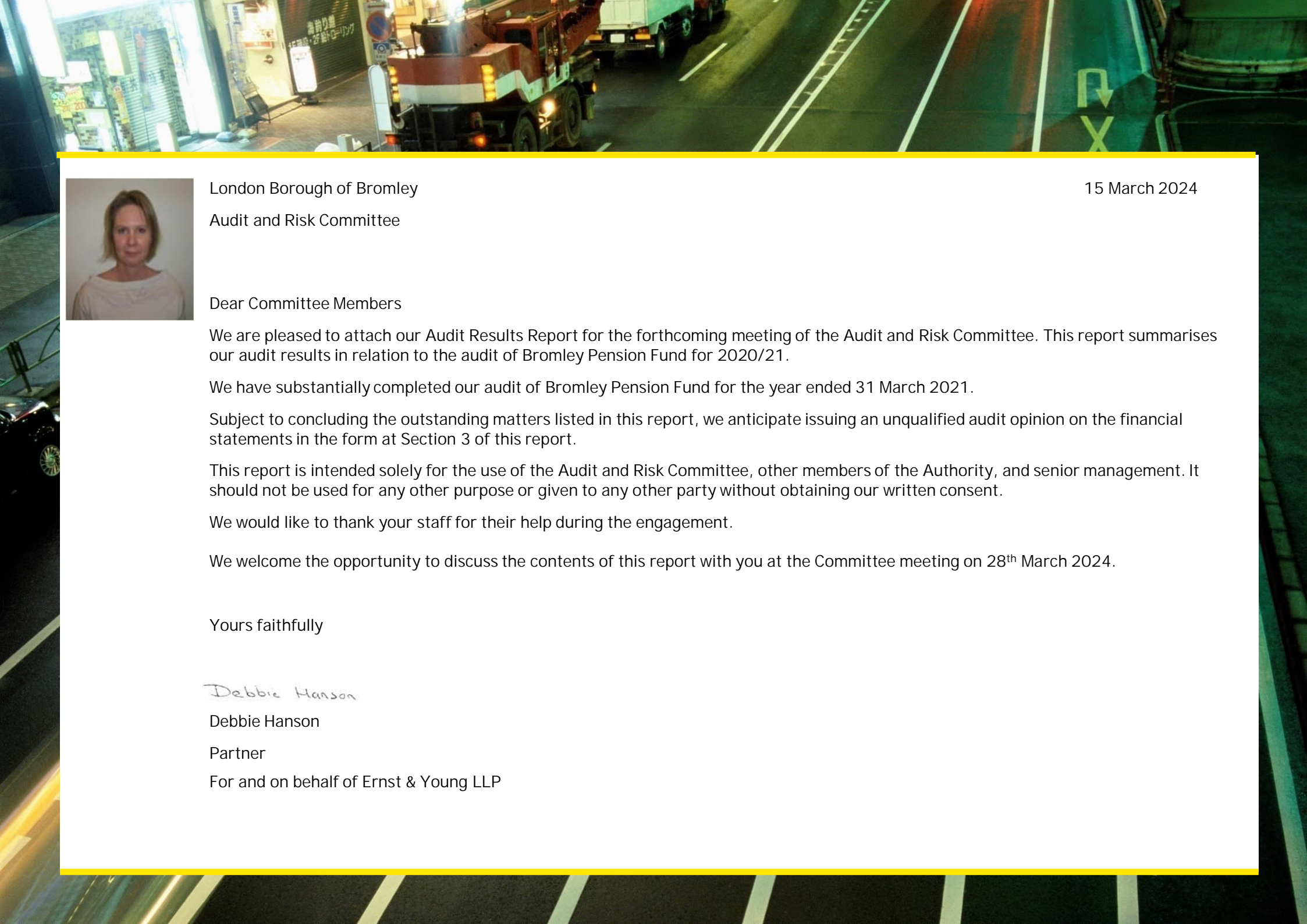


# Bromley Pension Fund Audit Results Report

Year ended 31 March 2021

15 March 2024



London Borough of Bromley  
Audit and Risk Committee

15 March 2024

Dear Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Audit and Risk Committee. This report summarises our audit results in relation to the audit of Bromley Pension Fund for 2020/21.

We have substantially completed our audit of Bromley Pension Fund for the year ended 31 March 2021.

Subject to concluding the outstanding matters listed in this report, we anticipate issuing an unqualified audit opinion on the financial statements in the form at Section 3 of this report.

This report is intended solely for the use of the Audit and Risk 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.

We welcome the opportunity to discuss the contents of this report with you at the Committee meeting on 28<sup>th</sup> March 2024.

Yours faithfully

*Debbie Hanson*

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

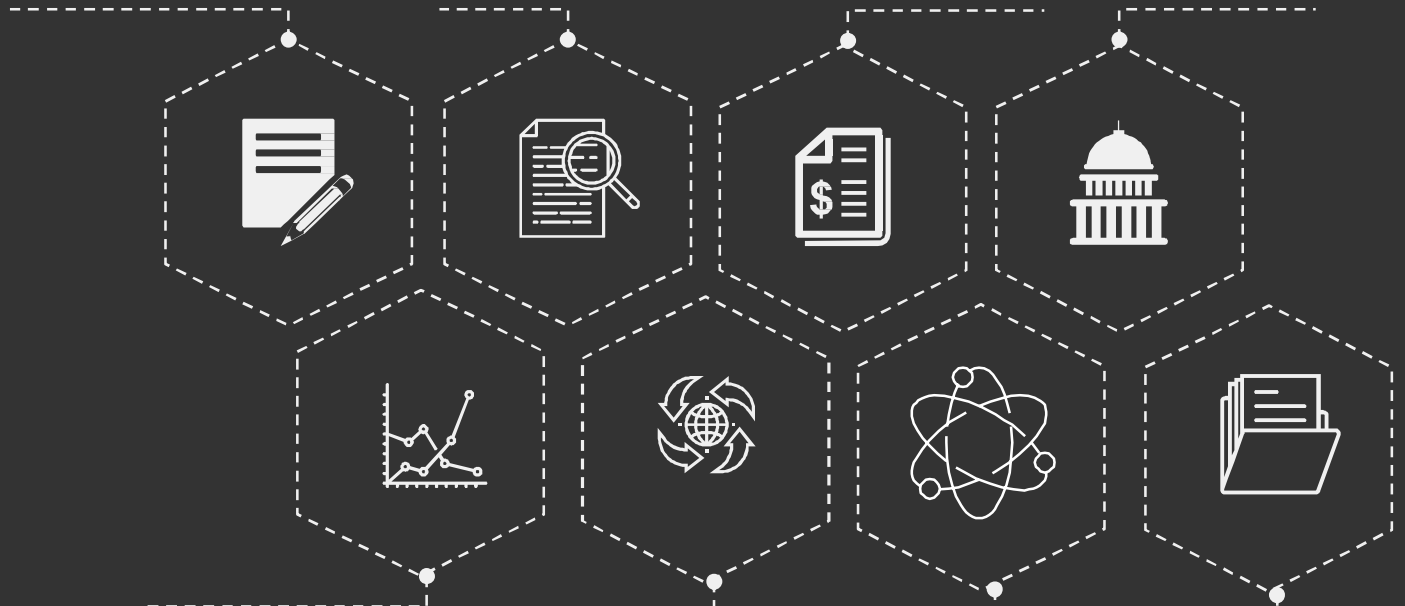
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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)). 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 PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and 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 / Terms and Conditions of Engagement. 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 Hywel Ball, 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 Planning Report presented to the November 2023 Audit and Risk Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes to our risk assessment as a result of Covid-19

- Valuation of level 3 (complex) Investments - Financial markets have experienced some volatility even before the advent of Covid-19. The uncertain impact of the virus on markets has had an impact on pooled property funds with underlying property investments being subject to “material uncertainty” which was included as emphasis of matter in the audit report on their financial statement. The draft accounts did not include material level 3 investments and this was therefore not identified as a risk in our Audit Plan. Our audit work identified material investments classified as level 2 that should have been level 3. We considered level 3 investment valuations to be a significant risk, and Covid-19 has increased the level of risk, and have therefore undertaken additional procedures to address this risk.
- Disclosures on going concern - The pandemic has had a significant impact on the value of investments and as a result there was a need for the Fund to consider its financial plans for 2021/22 and the medium term. We determined that the unpredictability of the current environment gave rise to a risk that the Fund may not appropriately disclose the key factors relating to going concern, underpinned by management’s assessment with particular reference to Covid-19 and the Fund’s actual year end financial position and performance.
- Events after the balance sheet date - We identified an increased risk that further events after the balance sheet date related to the Covid-19 pandemic may need to be disclosed, specifically for the Fund in relation to changes to the value of investments after the initial lockdown announcement. The amount of detail required in the disclosure needs to reflect the specific circumstances of the Fund.
- Changes in materiality - We updated our planning materiality assessment using the draft financial statements. We will reconsidered our materiality assessment at the conclusion of the audit and upon receipt of the final audited Pension Fund financial statements.

	Planning Materiality	Performance Materiality	Audit differences
	Our planning materiality represents 1% of the net assets. This is consistent year on year.	Performance materiality represents 75% of planning materiality and is the top of our range, This is consistent year on year.	We will report all uncorrected misstatements relating to the primary statements (net asset statement and fund account) greater than 5% of planning materiality.
Planned	£13.358 million	£10.018 million	£0.668 million

# Executive Summary

## Scope update (continued)

Information produced by the entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Fund's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

## Status of the audit

As at the date of this report, the audit of Bromley Pension Fund's financial statements for the year 31 March 2021 is substantially complete and procedures outlined in our Audit Plan have been finalised.

Subject to satisfactory completion of the following items we expect to issue an unqualified opinion on the financial statements in the form which appears at Section O3.

- Finalisation of the statement of accounts and updating the Annual Report with the changes in the accounts.
- Completion of the subsequent events testing up to the date of our audit report.
- Receipt and review of the management representation letter.
- Receipt and review of the Pension Fund going concern assessment for 2020/21.
- Completion of internal quality assurance procedures.

As the Pension Fund audit cannot be concluded until we are able to issue our opinion on the Council's accounts within which the Pension Fund Accounts sit, we are not able to conclude our audit of the Pension Fund until the Council opinion can also be issued. The timing of the completion of the Council has been impacted by the DLUHC consultation on proposals to clear the local audit backlog

## Audit differences

Management have agreed to adjust most of audit differences and disclosure misstatements identified from our audit, which largely relate to the valuation and classification of investment assets.

Management agreed to reclassify the pooled property fund amounting to £47 million from Level 2 to Level 3 fair value hierarchy and update the disclosure note relating to this reclassification.

We include further details of the adjusted audit difference, amended disclosures and uncorrected misstatement in disclosures in Section 4.

We have identified one uncorrected mis-statement. Details on the nature of the uncorrected mis-statement is detailed at Section 4.

# Executive Summary

## Areas of audit focus

Our 2020/21 Audit Planning Report identified significant risks and areas of focus for our audit of the Fund's financial statements. We summarise below our latest findings. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and other identified during the period is summarised in the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & conclusions
Risk of misstatement due to fraud or error	<p>We carried out standard procedures to address fraud risks as set out in our Audit Plan, including identifying fraud risks, considering fraud controls and their effectiveness, testing journal entries and reviewing estimates for evidence of management bias.</p> <p>We concluded our testing in this area and the details of the procedures performed and conclusion is detailed in Section 2 of this report.</p> <p>We identified one instance of an inappropriate judgement being applied in respect of the assessment of the fair value hierarchy of investments. This resulted in a material misclassification of £47 million between level 2 and 3 investments. We are satisfied that this is due to error and not management override as there is no incentive to misclassify investments between these levels. Further details can be found at section 4.</p> <p>We did not identify any issues or indication of management override.</p> <p>We also considered where this risk may be specifically manifested and considered it to be centred on posting of inappropriate journals as noted below.</p>
Risk of misstatement of investment income and investment values through fraudulent journal entries.	<p>We focussed our approach on the testing of journals at year-end to ensure there are no unexpected or unusual postings. In addition to this we have undertaken a review of reconciliations between the fund manager and custodian reports and investigated any reconciling differences. We re-performed the detailed investment note using the reports acquired directly from the custodian and fund managers and checked that the reconciliation of holdings in the Net Assets Statement is consistent with source reports.</p> <p>We concluded our testing in this area and the details of the procedures performed and conclusion is detailed in Section 2 of this report. We did not identify any errors in investment income or values or indication of management override.</p>
Risk of incorrect valuation of level 3 (complex) investments. (new risk not included in our Audit Plan)	<p>We undertook additional procedures, as described more fully in Section 2 of this report, to gain assurance over the material accuracy of the year-end valuation of the Pension Fund's Level 3 complex investments, which are inherently more difficult to value.</p> <p>We have completed our work in this area and did not identify any differences.</p>

# Executive Summary

## Areas of audit focus (continued)

Inherent Risk	Findings & conclusions
Valuation of investments under Level 2 fair value hierarchy	<p>Where funds are actively traded in listed markets/exchanges, we tested the valuation by using the EY Investment Security Pricing Tool and any other available Market Data.</p> <p>We also performed a review of the reclassification of investments from Level 3 to Level 2 that the Pension Fund had included in the draft accounts. We concluded that the reclassification was incorrect, as the material uncertainty in relation to property assets was still in place during 2020/21. The Pension Fund has agreed to amend the accounts for this. We have undertaken additional procedures on the asset reclassified to level 3 as outlined on the previous slide. Further details are included in Sections 2 and 4 of this report.</p>
IAS 26 disclosure - actuarial present value of promised retirement benefits (new risk not included in Audit Plan)	We carried out procedures to assess the IAS 26 disclosure and did not identify any issues. This is subject to final review.
Going concern disclosures (new risk not included in Audit Plan)	<p>We have not yet completed our review of the disclosure on going concern as this will need to cover a period of at least 12 months from the date the accounts were authorised for issue.</p> <p>As the Pension Fund audit cannot be concluded until we are able to issue our opinion on the Council's accounts within which the Pension Fund Accounts sit, we will ask the Pension Fund to provide an updated assessment and supporting working papers, including cash flow projection, once the date of issue of the Council opinion is known.</p>



## Executive Summary

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### 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.

### Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.



02

## Areas of Audit Focus



## Areas of Audit Focus

### Fraud risk

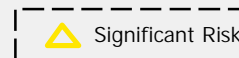
#### Risk of misstatements due to fraud or error

##### 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.



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

We undertook our standard procedures to address fraud risk, which included:

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiring of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considering the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing 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 any significant unusual transactions.

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

##### What are our conclusions?

Based on the procedures performed:

- We have not identified any material weaknesses in controls or evidence of material management override;
- We have not identified any evidence of management bias or unusual transactions.

We did however identify one instance of an inappropriate judgement being applied in respect of the assessment of the fair value hierarchy of investments. This resulted in a material misclassification of £47 million between level 2 and 3 investments. We are satisfied that this is due to error and not management override as there is no incentive to misclassify investments between these levels. Further details can be found at section 4.



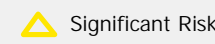
## Areas of Audit Focus

### Fraud risk

Risk of misstatement of investment income and investment values through fraudulent journal entries.

#### What is the risk?

Investment valuations and income are manually input on the general ledger. There is therefore opportunity to manipulate the valuation of investments and income reported in the Net Asset Statement and Fund Account to improve the reported position of the fund.



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

Our approach focussed on:

- testing of journals at year-end to ensure there are no unexpected or unusual postings;
- undertaking a review of reconciliations between the fund manager and custodian reports and investigating any reconciling differences over a specified threshold;
- re-perform the detailed investment note using the reports we have acquired directly from the custodian or fund managers; and
- checking the reconciliation of holdings included in the Net Assets Statement back to source reports.

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

#### What are our conclusions?

Based on the procedures performed :

- Our review of reconciliations between the fund manager and custodian reports did not identify any material differences or issues;
- We re-performed without exception the detailed investment note using the reports we received directly from the custodian and fund managers; and
- We checked the reconciliation of holdings included in the Net Assets Statement back to source reports without exception.
- Our testing of journals is complete and, subject to final review, we have not identified any unexpected or unusual postings.

We have however noted that proper approval and authorisation was not in place in posting journal transactions in 2020/21. We included this findings as part of Section 6 of this report.



## Areas of Audit Focus

### Significant risk

#### Risk of incorrect valuation of level 3 (complex) investments

##### What is the risk?

The Fund's level 3 investments include investments that require the fund to make judgements, often using the work of a fund manager or custodian, to value those investments whose prices are not publicly available. The material nature of investments means that any error in judgement and estimate could result in a material valuation error.

Current market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the Fund year end. Such variations could have a material impact on the financial statements.

##### What judgements did we focus on?

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

##### What did we do?

For all level 3 investments we:

- Documented and walked through the process and design of the controls over the valuation process;
- Assessed the competence of management experts;
- Reviewed the relevant investment manager controls' reports for qualifications or exceptions that may affect the audit risk;
- Reviewed the basis of valuation for level 3 investments and checked that it is in line with the accounting policy;
- Performed tests on the valuation by obtaining the latest available audited accounts and agreeing the net asset value per the confirmation received to the audited accounts provided;
- Where the audited accounts do not have the same year end as the Fund we performed a recalculation of expected value as of 31 March 2021 using market indices to obtain assurance that the value is reasonable.

##### What are our conclusions?

We identified assets which the Pension Fund had reclassified in 2020/21 from Level 3 to Level 2. These assets were Pooled Property Fund assets. Our testing of these assets confirmed that a Level 3 classification was in fact more appropriate. The total value of the assets reclassified was £47 million.

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

We requested that the Pension Fund's financial statement disclosures of significant judgements surrounding the valuation of Level 3 investments be enhanced to reflect the reclassified Level 3 assets noted above.



## Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<p><u>Valuation of level 2 investments (Higher inherent risk)</u></p> <p>The Fund's level 2 investments (£439 million as at 31 March 2021) include unquoted pooled investment vehicles (such as global equity and return funds). Judgements are taken by investment managers to value those investments where prices are not publicly available. There is a risk that these are materially misstated given the complexity of the measurement and degree of estimation involved and the material nature of this type of investment.</p>	<p>We responded to this inherent risk by conducting the following procedures including:</p> <ul style="list-style-type: none"><li>• Documenting and walking through the process and design of the controls over the valuation process;</li><li>• Reviewing the relevant investment manager controls' reports for qualifications or exceptions that may affect the audit risk;</li><li>• Reviewing the basis of valuation of investments and ensure they are in line with the accounting policy;</li><li>• Testing the proper classification of the investments in line with the criteria from CIPFA Code; and</li><li>• Performing tests of valuation by re-calculating the valuation based on observable market data from Bloomberg and other similar investment sites.</li></ul> <p>Our findings were:</p> <ul style="list-style-type: none"><li>• We identified £47 million of Pooled Property Funds which were included in Level 2 in the 2020/21 draft Pension Fund Accounts. Our testing confirmed that these were more appropriate to be included within Level 3 and so these were reclassified.</li><li>• We did not identify any weaknesses in fund manager controls related to investment asset valuation reporting of Level 2 assets.</li></ul>
<p><u>IAS 26 disclosure - Actuarial present value of promised retirement benefits (Higher inherent risk)</u></p> <p>The Actuarial Present Value of Promised Retirement benefits is an actuarial estimate of the pension fund liability to pay future pensions calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the membership data as of 31 March 2021 following the triennial valuation in 2019/20, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.</p> <p>Within the calculation for the disclosure note, the valuation may use inappropriate assumptions to value the liability as at the 31 March 2021. We therefore consider that there is a higher inherent risk associated this disclosure.</p>	<p>We responded to this inherent risk by conducting the following procedures including:</p> <ul style="list-style-type: none"><li>• Assessing the competence of management experts, Hymans Robertson;</li><li>• Engaging our EY Pensions Advisory Team to consider the work of the NAO's consulting actuary on reviewing the IAS26 approach applied by the actuary and assessing whether the approach and assumptions are reasonable and compliant with IAS26; and</li><li>• Ensuring that the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.</li></ul> <p>Our findings were:</p> <ul style="list-style-type: none"><li>• We have assessed the competence of managements expert and noted no issues.</li><li>• We engaged our EY Pensions Advisory Team to consider the work of the NAO's consulting actuary, PWC, and noted no issues.</li><li>• The IAS26 disclosures agreed to the report from the actuary</li></ul> <p>This work is subject to final review.</p>



## Areas of Audit Focus

What is the risk/area of focus?	What will we do?
<p><u>Going concern disclosure (Area of focus)</u></p> <p>There is a presumption that the Pension Fund will continue as a going concern for the foreseeable future. However, the Pension Fund is required to carry out a going concern assessment that is proportionate to the risks it faces such as unstable market due to Russian war and bankruptcy of Silicon Valley Bank. There is a need for the Pension Fund to ensure its going concern assessment is thorough and appropriately comprehensive.</p> <p>The Pension Fund is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.</p> <p>The risk decreased from 2019/20 but is still an area of focus in 2020/21.</p> <p>No issues were found in previous years regarding the going concern disclosures within the Fund's accounts or the preparation of the accounts on a going concern basis.</p> <p>Our focus will be on the disclosures made by the Pension Fund in respect of going concern.</p>	<p>We will respond to this area of focus by conducting the following procedures including:</p> <ul style="list-style-type: none"><li>• Challenging management's identification of any events or conditions impacting going concern.</li><li>• Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).</li><li>• Reviewing the Fund's cashflow forecast to at least 12 months from the date of the audit report, to ensure that it has sufficient liquidity to continue to operate as a going concern.</li><li>• Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.</li><li>• Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.</li></ul> <p>We have not yet completed our review of the disclosure on going concern as this will need to cover a period of at least 12 months from the date the accounts were authorised for issue.</p> <p>As the Pension Fund audit cannot be concluded until we are able to issue our opinion on the Council's accounts within which the Pension Fund Accounts sit, we will ask the Pension Fund to provide an updated assessment and supporting working papers, including cash flow projection, once the date of issue of the Council opinion is known.</p>



## 03 Draft Audit Report





# Draft Audit Report 2020/21

## Our opinion on the financial statements

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

#### Opinion

We have audited the pension fund financial statements for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 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 2020/21.

In our opinion the pension fund financial statements:

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

#### Basis for opinion

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

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

#### Conclusions relating to going concern

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 to xxx from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report. However because not all future events or conditions can be predicted this statement is not a guarantee as to the authority's ability to continue as a going concern.

#### Other information

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

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



# Draft Audit Report 2020/21

## Our opinion on the financial statements

### 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 for the Statement of Accounts, 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 2020/21, and for being satisfied that they give a true and fair view and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material mis-statement whether due to fraud or error.

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.

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

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

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

Irregularities including fraud are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect irregularities, including fraud. The risk of not detecting a material mis-statement due to fraud is higher than the risk of not detecting on resulting from error as fraud may involve deliberate concealment by, for example deliberate forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities including fraud are detailed below. However the primary responsibility for the prevention and detection of fraud rests both with those charged with governance of the entity and management.

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



# Draft Audit Report 2020/21

## Our opinion on the financial statements

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

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

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

In common with ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In responding to the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements used in making accounting estimates are indicative of a potential bias, and evaluated the business rationale of any significant identified transactions that were unusual or outside the normal course of business.

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

### Use of our report

This report is made solely to the members of the 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 London Borough of Bromley's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Debbie Hanson (Key Audit Partner)*  
*Ernst & Young LLP (Local Auditor)*



# 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 corrected and uncorrected differences

We report to you any corrected and uncorrected misstatement greater than our reporting level of £0.668 million. We have noted the following misstatements above this amount:

### Corrected misstatements

- We noted that the reclassification of £47 million of Pooled Property assets from level 3 to level 2 in the draft accounts was incorrect. The Pension Fund has corrected this and these investments are now disclosed as level 3

In addition, we also noted the following adjustments which we bring to the attention of the Audit and Risk Committee.

- A misstatement in disclosure in Note 1 and the total membership of the Fund as at 31 March 2021. The Pension Fund has amended the figures disclosed for Employees, Pensioners and Deferred Pensioners to correct this error.
- We identified the following differences which resulted in adjustments to the following balances within the Net Assets Statement as part of our work:
  - Long term debtors (Note 14) – this had been overstated by £1.696 million as a result of the ‘MyTime Active’ exit from the Pension Scheme for which the debtors accrued for in 2019/20 had not been reversed.

### Uncorrected misstatements

As at the date of this report, there is one uncorrected mis-statement. A difference has been noted between L1 Assets per the SOA and Custodian Reports – this amounts to £0674 million and is mostly due to the use of different benchmarking between MFS and BNY Mellon. It has been confirmed with the custodian that MFS use the MSCI World Index whereas BNY use MSCD AC World Index.



## 05 Other reporting issues

## Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements. We are satisfied that the pension fund financial statements are consistent with the full annual statement of accounts of the London Borough of Bromley for the year ended 31 March 2021. However, this is based on the draft accounts, and is subject to the finalisation of the audit and accounts of the London Borough of Bromley in case any amendments are made to the Other Information.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority/Pension Fund, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We have had no reason to exercise these duties.

### Other matters

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



06

## Assessment of Control Environment



# Assessment of Control Environment



## Financial controls

### Pension Fund Control Environment

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 two recurring areas for internal control improvements and one new area which we consider below.

# Assessment of Control Environment

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## 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 as there is 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 1

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

## Management comment

The financial system upgrade to Oracle Fusion was implemented in May 2022. There is a separate and discrete company codes in a sub ledger for the Pension Fund.

Responsible Officer – Senior Accountant (Pension Fund), Head of Finance (ASCHH) and Financial Systems Manager.

# Assessment of Control Environment

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## 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 2

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

## Management comment

There is a separate bank account for the Pension Fund. It is planned that by early May 2022 all Pension Fund transactions will go through this bank account.

Responsible Officer – Senior Accountant (Pension Fund), Head of Finance (ASCHH) and Financial Systems Manager

# Assessment of Control Environment

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## Observation

Manual journals are not subject to any authorisation or second review. We confirmed with the Principal Accountant that there were no review or approval process in place for the manual journals and the journals are directly posted in the system. 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 3

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

## Management comment

Significant value manual Pension Fund journals will be prepared for input into the GL by a separate member of the Finance Team and reviewed and approved by the Senior Accountant (Pension Fund) prior to processing in the GL. A field will be maintained on the journal template, detailing the inputter, reviewer and date(s).

Responsible Officer – Senior Accountant (Pension Fund).



07

Independence

## New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

### Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
  - Tax advocacy services
  - Remuneration advisory services
  - Internal audit services
  - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit & Risk Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Audit & Risk Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

### Next Steps

We will monitor and assess any proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2019 which became effective from 1 April 2020. We will work with you to ensure orderly completion of the services within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

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## Other communications

### EY Transparency Report 2020

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year-ended 30 June 2023:

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

## Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2020 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The table below sets out a summary of the fees due in relation to the year ended 31 March 2021 and the prior year in line with the disclosures set out in FRC Ethical Standard and in statute.

The duty to prescribe fees is a statutory function delegated to PSAA by the Secretary of State for the Department for Levelling Up, Housing and Communities. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21	Final Fee 2019/20
	£	£
Scale Fee – Code work	16,170	16,170
Fee variation	TBC (2)	27,124 (1)
Additional fee for IAS19 assurance work on behalf of admitted bodies – non Code	5,500	5,000
Total Pension Fund fee	TBC	48,296

- (1) PSAA have determined the variation for the prior year audit (2019/20) as shown
- (2) We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the PSAA tender exercise for this audit. For 2021/22 and 2020/21, as in the previous years, we therefore proposed increases to the scale fee to take into account a number of risk factors including: Procedures to address the risk profile of the Pension Fund; implementation of ISA 540; Additional work to address increase in Regulatory Standards; Client readiness and IT support for Data Analytics. The proposed scale fee increase is subject to determination by PSAA. Additional work has been required to address the risks outlined in this report. Additionally delays and errors identified have resulted in additional audit work. We will quantify our proposed fee variation at the completion of the audit and report this to management and the Audit and Risk Committee. We will then submit our proposed variation to PSAA for determination.

*Fees are presented exclusive of VAT.*





# 08 Appendices

## Audit approach update

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

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

There were no significant changes to our audit approach.




## Appendix B

# Required communications with the Audit and Risk Management Committee





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

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the General Purposes and Licensing 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 – Communicated November 2023
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan – Communicated November 2023
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report – dated March 2024

## Appendix B

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

## Appendix B

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

## Appendix B

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

# Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report – March 2024
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report – March 2024
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Audit Results Report – March 2024
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit planning report is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit Plan – communicated November 2023 Audit Results Report – March 2024

# Management representation letter - Draft

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

## Management Representation Letter

xx March 2024

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

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

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

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

### A. Financial Statements and Financial Records

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



## Management representation letter

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.
6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - Involving financial improprieties
  - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
  - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
  - Involving management, or employees who have significant roles in internal control, or others
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Fund rules.

## Management representation letter

3. All material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.
4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through 2020/21 to the most recent meeting of the Audit and Risk Committee on 28 March 2024.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
8. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021.
9. From 03 May 2023 (the date of our last management representation letter) through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities relating to litigation and claims, both actual and contingent, and have disclosed in Note 25 to the financial statements all guarantees that we have given to third parties.

### E. Going Concern

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

# Management representation letter

## F. Subsequent Events

1. Other than described in the financial statements, there have been no events, (including events related to the COVID-19 pandemic and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus), subsequent to the period end with a material impact that requires adjustment of, or disclosure in, the financial statements or notes thereto.

## G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information other than the pension fund financial statements, contained within the London Borough of Bromley Statement of Accounts 2020/21.
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We will provide to you the final version of documents when available [*or X date*] and prior to issuance by us, such that you can perform your procedures.

## H. Independence

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

## I. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.

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

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

## K. Actuarial valuation

1. The latest reports of the actuary Hymans Robertson as at 31 March 2019 and dated 31 March 2022 have been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

## L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value the investments held by the Fund and the IAS 26 disclosures provided by the actuary and we have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

## Management representation letter

### M. Estimates

#### *Valuation of investments & IAS 26 disclosures (actuarial present value of promised retirement benefits)*

- 1 We confirm that the significant judgments made in making the investment valuation and IAS 26 estimates have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the investment valuations.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021.
4. We confirm that appropriate specialized skills or expertise has been applied in making the investment valuations and IAS 26 estimates.
5. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic

Yours faithfully,

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Peter Turner  
Director of Finance

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Cllr Michael Tickner  
Chair of the Audit and Risk Committee

## Outstanding Matters

As at the date of this report, we note the following as outstanding:

- Finalisation of the statement of accounts and updating the Annual Report with the changes in the accounts.
- Completion of the subsequent events testing up to the date of our audit report.
- Receipt and review of the management representation letter.
- Receipt and review of the Pension Fund Going Concern assessment for 2020/21.
- Completion of internal review procedures.

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