



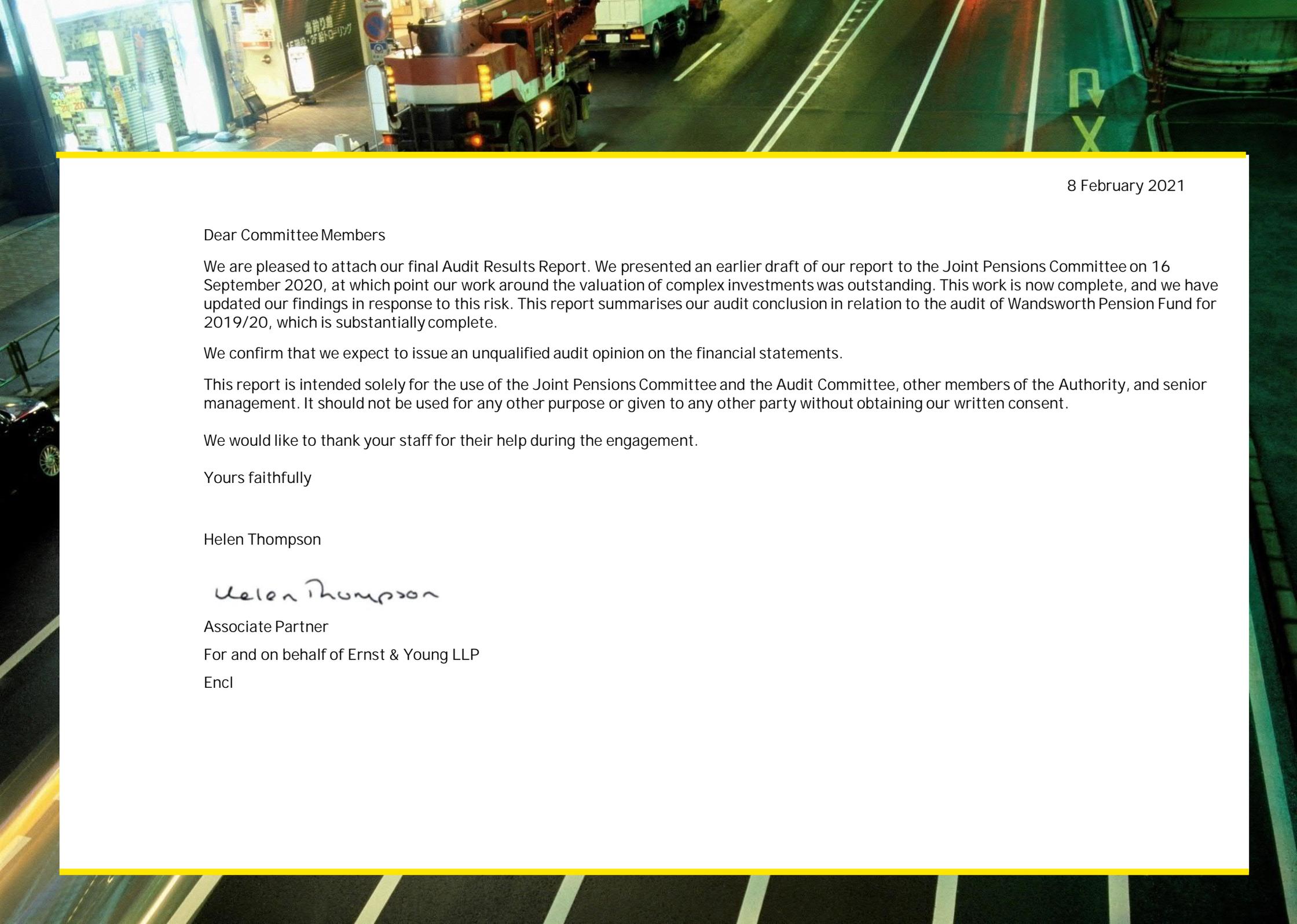
Wandsworth Pension
Fund
Audit results report
Year ended 31 March 2020

February 2021



EY

Building a better
working world

A nighttime photograph of a street scene. In the foreground, a large truck with its headlights on is parked or moving slowly. The street has white lane markings. In the background, there is a building with a brightly lit entrance and some signs. The overall scene is illuminated by streetlights and the truck's lights.

8 February 2021

Dear Committee Members

We are pleased to attach our final Audit Results Report. We presented an earlier draft of our report to the Joint Pensions Committee on 16 September 2020, at which point our work around the valuation of complex investments was outstanding. This work is now complete, and we have updated our findings in response to this risk. This report summarises our audit conclusion in relation to the audit of Wandsworth Pension Fund for 2019/20, which is substantially complete.

We confirm that we expect to issue an unqualified audit opinion on the financial statements.

This report is intended solely for the use of the Joint Pensions Committee and the Audit 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

Helen Thompson

A handwritten signature in black ink that reads "Helen Thompson". The signature is written in a cursive, slightly slanted style.

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

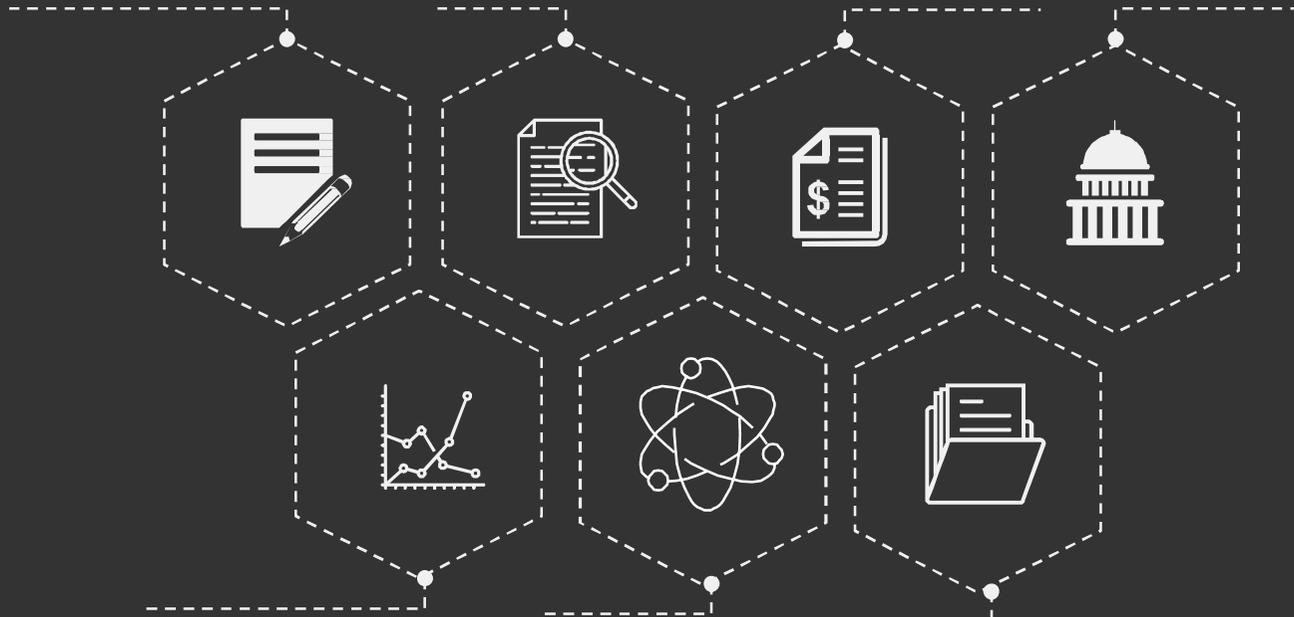
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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This Statement of responsibilities 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 the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and 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 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 at the 2 June 2020 Joint Pensions 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 reporting timescales

As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

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

We considered whether Covid-19 gave rise to any additional significant risks in the 2019/20 financial statements. Following the “material valuation uncertainty” recorded in the accounts in relation to pooled property funds, we updated pooled property valuations to an area of audit focus. We considered other Covid-19 related risks and concluded that those that were most likely to impact the financial statements had already been included as a significant risk in our Audit Planning Report.

Going concern and post balance sheet event disclosures

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 2020/21 and the medium term. We determined that the unpredictability of the current environment gave rise to a risk that the Fund would 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. We also identified an increased risk that further events after the balance sheet date concerning the Covid-19 pandemic would need to be disclosed, specifically for the Fund, changes to the value of investments after the initial lockdown announcement.

Changes in materiality

In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £23.9m, with performance materiality, at 75% of overall materiality, of £16.9m, and a threshold for reporting misstatements of £1.2m. We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate.

We have however updated the materiality levels following receipt of the draft financial statements. This produced a materiality of £21.6m, with a performance materiality of £16.2m and a reporting threshold of £1.08m.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19.

The continued impact of the Covid-19 pandemic increases the risks to the material accuracy of financial statements and disclosures. To ensure we are providing the right assurances to the Fund and its stakeholders the firm has introduced a rigorous consultation process for all auditor reports to ensure that they include the appropriate narrative.

The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We have set out the impact on our audit fee on page 27.

Executive Summary

Status of the audit

We have completed our audit of Wandsworth Pension Fund's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the financial statements in the form which appears at Section 3:

- Receipt and review of the management representation letter.

Audit differences

There are no adjusted audit differences arising from those audit procedures completed to date, other than a small number of disclosure points, including going concern.

We have identified judgemental differences, which have not been corrected within the financial statements:

- 1- Difference between the Pension Fund's estimate of the Net Asset Value and the managers' estimate identified by EY specialist. This suggested the value was overstated by a total of £3.95m.
- 2 - Difference between the fund managers' infrastructure asset valuations as at 31 March 2020 and the financial statements (which reflect 31 December 2020 valuations). This suggested the value of the assets were understated by a total of £2.768m.

The sum of these uncorrected items is below our materiality level.

Executive Summary

Areas of audit focus

Our audit planning report identified significant risks and areas of focus for our audit of the Fund's financial statements. We summarise below our findings.

Audit findings and conclusions: Risk of manipulation of investment income and valuation.

- We have not identified any material weaknesses in controls or evidence of material management override from those procedures completed to date. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Pension Fund's normal course of business.

Audit findings and conclusions: Valuation of Complex Investments

- Our work in relation to the valuation of complex investments did not identify any evidence of material misstatement. We employed an EY specialist to provide assurance over the value of these complex investments. Our specialist concluded that from a valuation perspective, there was a difference between the Net Asset Values (NAV) for these assets arising due to a difference between the Pension Fund's estimate of the NAV and the managers' estimate. However, the difference between the two estimates totalled £10.2m and is not material. All of the funds, with the exception of Churchill, had market movements that were plausible given the market data we have observed. None of the differences in valuation resulted in material misstatement.

Audit findings and conclusions: Pooled property funds

- Our work in relation to the pooled property funds has identified no evidence of material misstatement.

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, and;
- 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 Joint Pension Committee/Audit Committee.

Control observations

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 and which is unknown to you.

Independence

We have no independence matters or breaches to report. Please refer to Section 6 for our update on Independence.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Risk of manipulation of Investment income and valuation

What is the risk?

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

We assessed that the risk of manipulation of investment income and valuation through management override of controls was most likely to affect investment income and assets in the year, specifically through journal postings.

Net return on investments: £188,699,000

Total net assets of the Fund available: £2,163,736,000



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

We:

- ▶ Tested journals at year-end to ensure there are no unexpected or unusual postings. This included searching for inappropriate journals posted by senior officers, journals with certain narrative descriptions which may allude to override, journals that do not balance to nil and material journals posted at year end. We were satisfied that those journals tested did not contain evidence of management override.
- ▶ Undertook a review of reconciliations to the fund manager, custodian and valuer reports and investigated any reconciling differences. The work completed in respect of these reconciliations did not identify any evidence of management override and there were no unexplained or unusual reconciling differences.
- ▶ Re-produced the detailed investment note using the reports we have acquired directly from the custodian, valuer or fund managers. This was undertaken to ensure the valuation and disclosure of the investments within the reports agreed to the disclosure within the accounts. There were no material differences between the disclosures and no evidence of management override was identified.
- ▶ Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports. No material differences were identified.
- ▶ For quoted investment income we agreed the reconciliation between fund managers and custodians back to the source reports. We also tested a sample of quoted investments back to market data to verify the valuations included at the Balance Sheet date. No material differences were identified.

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries and material estimates for evidence of management bias and evaluated their business rationale. We were satisfied that the journals posted to produce the financial statements did not contain any evidence of management override of control or manipulation of investment income or valuation.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Pension Fund's normal course of business.



Areas of Audit Focus

Significant risk

Valuation of complex investments

What is the risk?

Misstatements that occur in relation to complex investments valued at level 3 fair value hierarchy such as infrastructure and private debt investments could affect the valuation of the Net Assets Statement and investment income in the Fund Accounts.

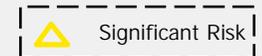
Significant judgements are taken by Investment Managers or administrators to value those investments where prices are not publicly available. The material nature of investments means that any error or judgement could result in a material valuation error.

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

The investments are held on the Net Asset Statement at the following values:

Infrastructure: £117,363,000

Private Debt: £60,750,000



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

We have completed our audit procedures over these investments. Due to their complexity and the economic uncertainty arising from the Covid-19 pandemic, we have utilised the services of an EY securities expert to support our audit procedures and ensure we obtain sufficient audit assurance over these complex balances. The audit procedures we completed were as follows:

- ▶ we reviewed the basis of valuation for the infrastructure and private debt investments and assessed the appropriateness of the valuation methods used. This included a review of any changes to methodology or valuation adjustments made as a result of the Covid-19 pandemic, and whether there were any likely movements between the investment valuation date and the pension funds balance sheet date.
- ▶ we assessed the competence of management experts, ensuring they are appropriately qualified and knowledgeable to provide an accurate valuation for use in the funds accounts; and,
- ▶ we performed analytical procedures and checked the valuation output for reasonableness against our own expectations. These expectations were informed by our own expert, who has specialist knowledge and experience to be able to provide an accurate assessment of the valuation for our audit purposes.



Areas of Audit Focus

Significant risk

What are our conclusions?

We have completed our work in each area:

- ▶ our specialist concluded the basis of valuation for the infrastructure and private debt investments and the appropriateness of the valuation methods used were consistent with valuation practice given the characteristics of the net asset values used.
- ▶ through the work of our specialist, we confirmed the valuation methodology applied by the fund managers was appropriate; and for all funds, other than Churchill, had been completed by a third party. This provides assurance over the competence of management experts;
- ▶ we performed analytical procedures and checked the valuation output for reasonableness against our own expectations. These expectations were informed by our own expert, who has specialist knowledge and experience to be able to provide an accurate assessment of the valuation for our audit purposes.

In completing our work, our specialist considered:

- (i) the completeness of the material presented to us;
- (ii) the adequacy and relevance of this material;
- (iii) the nature and basis for valuation adjustments and calculations;
- (iv) the reasonableness of the valuation methods and assumptions used in the analysis; and
- (v) whether our findings support Management's conclusions given the scope of the work performed.

Our specialist concluded that in preparing the financial statements, the Pension Fund had calculated the valuation of the infrastructure and private debt instruments by taking the fund managers valuation as at 31 December 2019 and adjusting for any calls and distributions between the 31 December 2019 and 31 March 2020. This approach was taken as the fund managers 31 March 2020 valuation would not be available until after the financial statements had been prepared. Our specialist compared the valuation used by the Pension Fund to the fund managers valuation as at 31 March 2020 which was subsequently issued. This identified a difference of £2.768m between the two values. This is below our materiality level and therefore has not been updated within the financial statements given this is a judgemental difference.

Our specialist then noted that all of the funds, with the exception of Churchill, had market movements per the fund manager that were plausible given the market data they had observed. The specialist concluded that the Churchill return (per the fund manager) is not in line with their expectations considering movements in the leveraged loan market and the fact they have downgraded much of their portfolio. In response, our specialist undertook a high-level, and indicative, calculation of how the fund value might have moved assuming an applied a market return of -13% (in line with appropriate indices). This created a difference between our specialist's estimate of the value as at 31 March 2020 and the figures used by the Pension Fund of £3.95m. A difference of this magnitude is not material.



Areas of Audit Focus

Significant risk

What are our conclusions?

In consideration of the factors above, from a valuation perspective, it would have been more appropriate to mark the portfolio at the managers' mark than at the December 2019 values. However, the difference between the Pension Fund's estimate of the NAV and the managers' estimate (£2.768m) is not material. All of the funds, with the exception of Churchill, had market movements per the manager that were plausible given the market data we have observed. None of the differences in valuation resulted in material misstatement.



Area of Audit Focus

Pooled Property Funds

What is the risk?

Pooled Property Fund Valuations could be impacted as a result of COVID-19. The Royal Institute of Chartered Surveyors (RICS) issued guidance in light of COVID advising the use of a material valuation uncertainty clause due to the uncertainty associated with the market value of property. Upon the receipt of the draft 2019/20 financial statements it was confirmed that such material valuation uncertainty clauses have been included across all pooled property funds included in the Pension Fund financial statements.

There is a risk that the pooled property valuation could be materially misstated. Market volatility means judgments made in the valuation process 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.

The pooled property fund investments are held on the Net Asset Statement at the value of £104.5m

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

We have completed our audit procedures in respect of these investments. We have been able to reconcile the pooled property fund balances to supporting evidence. We have also completed the following procedures:

- ▶ Considered the valuation of the unit price of pooled property funds and how they are impacted by any changes in the market valuation of the underlying investments.
- ▶ We have reviewed those reports provided by the fund managers in respect of the pooled property funds, noting that due to the pooling arrangement, the basis of valuation of the pooled property funds is not directly linked to the valuation of the unit price reported in the financial statements.
- ▶ We tested the unit price back to supporting third party evidence as at 31 March 2020, to ensure it is within a reasonable expected range for the purposes of the financial statements.

To address the risks created by COVID-19, specifically in relation to the RICS valuation guidance we also ensured the appropriate disclosure has been made in the accounts concerning the material uncertainty.



Area of Audit Focus

What are our conclusions?

We are satisfied there is no evidence of material misstatement arising in respect of these assets.

We have considered whether our audit opinion should include an emphasis of matter paragraph in this area. The value of pooled property within the financial statements is £104.5 million. For a valuation movement to be material, it would need to be in excess of +/- 20% movement at 31 March 2020. Based on the market data available, this level of movement seems implausible. We have therefore concluded that an emphasis of matter is not required.



Area of Audit Focus

Disclosures on going concern and events after the balance sheet date

What is the risk?

Going concern:

We have identified a risk to disclosures concerning the Covid-19 pandemic. We consider the risk applies to going concern and post balance sheet disclosures. Considering the financial position of the Pension Fund we do not believe it appropriate to treat this as a significant risk, rather that it should be treated as an area of audit focus in our approach.

Covid-19 has created a number of financial pressures throughout local government and the wider economy that could directly impact the Pension Fund. There is currently no clear statement of financial support from MHCLG that covers all financial consequences of Covid-19. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

The auditor's report in respect of going concern covers a 12-month period from the date of the audit report, therefore the Pension Fund's assessment will also need to cover this period.

Events after the balance sheet:

There is increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure will need to reflect the specific circumstances of the Pension Fund.

What did we do?

We met the Director of Resources and Deputy Chief Executive on 27 August 2020 to discuss going concern in respect of the Pension Fund. We reviewed your initial going concern disclosures within the financial statements under IAS1, which were relatively limited.

We received revised financial statement disclosures for the basis of preparation (PF Note 2) from management, including a cashflow forecast to March 2022 in November 2020. Our conclusions are set out on the following page.



Area of Audit Focus

What are our conclusions?

Going concern:

Wandsworth Pension Fund accounts have been prepared on a going concern basis, and this is clearly supportable based on our review of available supporting evidence. The funding position of the Fund is strong: the most recent triennial valuation of the Fund showed it to be 105% funded as at 31 March 2019.

The Fund's income typically comes from contributions from scheduled and admitted bodies, plus investment income. Based on the cash flow forecast produced the fund is expecting total receipts of £92.473m for the 12 month period from December 2020 through to November 2021. Expenditure, which is typically pension payable and administration/investment fees, is expected to be £93.28m for the same period. This compares to £1.792bn of liquid investments as at 31 March 2020.

Although investment performance was adversely impacted by Covid-19 in late 2019/20, current available information shows some bounce back in the current year. At present there is no significant risk of which we are aware of a drop in contributions. The Fund has a positive cash flow over the period to March 2022, with only one month forecasting a negative cash position. We're satisfied that the Fund has sufficient liquid assets to cover this shortfall.

On the basis of all these considerations, we concluded that the revised disclosures are appropriate and an emphasis of matter is not required in our audit report.

Events after the balance sheet:

No events after the reporting date are disclosed in the financial statements at PF Note 6. Given that the advent of Covid-19 was prior to financial year end, we are content this disclosure is reasonable and consistent with our wider understanding of events in the new financial year which do not require disclosure.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WANDSWORTH BOROUGH COUNCIL

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2020 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 37. 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 2019/20.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Director of Resources and Deputy Chief Executive 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.



Audit Report

Draft audit report

Our opinion on the financial statements

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 Resources and Deputy Chief Executive

As explained more fully in the Statement of the Director of Resources and Deputy Chief Executive's Responsibilities set out on page 13, the Director of Resources and Deputy Chief Executive 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 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Resources and Deputy Chief Executive 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.



Audit Report

Draft audit report

Our opinion on the 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 Wandsworth Borough Council, 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
November 2020



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 and unadjusted differences

We have identified a small number of disclosure errors which management have elected to change. This included a change to the fair value classification of Pooled Property Funds: these funds were suspended at year end, with a material uncertainty recorded over their valuation. We concluded these assets should be recorded at Level 2 because the suspension of trading means there is no ‘market’ data against which the value of the assets can be compared.

No other corrected or uncorrected misstatements have been identified above our reporting threshold of £1.08m.

We have identified judgemental differences, which have not been corrected within the financial statements:

- 1- Difference between the Pension Fund’s estimate of the Net Asset Value and the managers’ estimate identified by EY specialist. This suggested the value was overstated by a total of £3.95m.
- 2 - Difference between the fund managers' infrastructure asset valuations as at 31 March 2020 and the financial statements (which reflect 31 December 2020 valuations). This suggested the value of the assets were understated by a total of £2.768m.

The sum of these uncorrected items is below our materiality level.



05 Other reporting issues

Other reporting issues

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 2019/20 with the audited financial statements.

We have reviewed the Pension Fund Annual Report and can confirm it is consistent with other information from our audit of the financial statements and we have no other 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 reporting 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 Wandsworth Pension 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;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations.

We have no matters to report.



6

Independence

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report presented to the June Joint Pensions Committee. We complied with the APB Ethical Standards. 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 that should be reviewed by both you and ourselves. It is therefore important that you and your Joint Pensions Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Joint Pensions Committee on 16 September 2020 or the Audit Committee on 11 November 2020.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31 March 2020.

We confirm that we have not undertaken non-audit work. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Final Fee 2018/19 £
Scale Audit Fee – Code work	21,175	21,175	21,175
Non-audit work	0	0	0
Additional fee for IAS19 assurance work on behalf of admitted bodies *	TBC	5,500	0
Additional fee for work on the 2019 triennial valuation of the Fund. (Note 1) *	TBC	0	0
Going Concern, Property Material Uncertainty and Consultation (Note 2)	TBC	0	0
Total fee	TBC	26,675	21,275

Notes: Items marked * are outside of the PSAA scale fee and will be subject to agreement with the Director of Resources and Deputy Chief Executive.

For 2019/20 the scale fee will be impacted by a range of factors including those relating to Covid-19 (see page 6).

(1) For 2019/20 we were required to undertake further audit work to gain assurance over the 2019 triennial valuation of the Fund. The triennial valuation informs both the assessment of the IAS19 liabilities in admitted bodies' financial statements and the actuarial present value of promised retirement benefits disclosure in the Pension Fund financial statements.

(2) In response to Covid-19 and the changing risk environment, additional procedures were undertaken in relation to the disclosures related to the use of the going concern assumption, the material uncertainty issued in respect of the valuation of property assets. This element of the fee is subject to approval of PSAA.

Independence

Our fees set out above do not include the scale fee review which is currently underway with PSAA to agree whether the scale fees for Local Government need to be rebased to account for the increased audit and quality requirements as well as increased regulatory challenge on the depth and quality of assurance provided by audit suppliers. There is now greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. Discussions with PSAA remain ongoing.

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 Pension Fund, senior management and its affiliates, including all services provided by us and our network to your Authority, 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 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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 Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit 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 continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

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

Other communications

EY Transparency Report 2019

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 end 30 June 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf



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Appendices

Audit approach update

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

Appendix A

Balance sheet category 	Audit Approach in current year 	Audit Approach in prior year 	Explanation for change 
Level 3 Investments	We undertook a fully substantive audit approach as outlined on slide 10. This included additional procedures as a result of the potential impact of the Covid-19 pandemic.	Substantively tested all relevant assertions, but did not require the involvement of an EY specialist. These assets were valued at purchase price due to the proximity of their purchase to the Balance Sheet date.	Additional procedures and involvement of specialist in audit procedures as a result of the potential impact of the Covid-19 pandemic.
Pooled Property Funds	We undertook a fully substantive audit approach as outlined on slide 11. This included additional procedures as a result of the potential impact of the Covid-19 pandemic.	Substantively tested all relevant assertions, but did not require the involvement of an EY specialist. These assets were valued at purchase price due to the proximity of their purchase to the Balance Sheet date.	Additional procedures and involvement of specialist in audit procedures as a result of the potential impact of the Covid-19 pandemic.
Going Concern Disclosures	Additional audit procedures undertaken to consider the impact of Covid-19 on the Pension Fund and the updated requirements of ISA570. These included consideration of: <ul style="list-style-type: none"> • Current and developing environment. • Liquidity (operational and funding). • Mitigating factors. • Management information and forecasting. • Sensitivities and stress testing. 	Managements assessment of the use of the going concern assumption and supporting documentation was reviewed.	Additional procedures as a result of the potential impact of the Covid-19 pandemic and the additional requirements of ISA570.

Appendix B

Summary of communications

Date 	Nature 	Summary 
Throughout the year	Meetings, calls and emails.	The Senior Manager has been in regular contact with the Director of Resources and Deputy Chief Executive and the corporate finance team in respect of the Fund's risks, accounts closedown and the audit approach.
31 July 2019 - Wandsworth Borough Council Audit Committee 31 July 2019 - Joint Pensions Committee 2 June 2020 - Joint Pensions Committee 16 September 2020 - Joint Pensions Committee 11 November 2020 - Wandsworth Borough Council Audit Committee	Meetings and reports	The Associate Partner and/or Senior Manager have attended those meetings of the Wandsworth Borough Council Audit Committee and the Joint Pensions Committee noted opposite through the financial year and to the date of issue of this report. Specific reports issued and communications with the Wandsworth Borough Council Audit Committee and Joint Pension Committee are detailed in Appendix C.
Once per month	Meeting	The Senior Manager and Associate Partner have met regularly with the Director of Resources and Deputy Chief Executive on a monthly basis throughout the year to discuss audit and Fund matters up to the date of issue of this report.

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 Audit 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 Joint Pensions 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 planning report (2 June 2020)
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report (2 June 2020)
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 	Audit results report (16 September 2020)

Appendix C

Our Reporting to you

Required communications	What is reported?	When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the audit committee include:</p> <ul style="list-style-type: none"> • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant 	<p>Audit planning report (2 June 2020) and Audit results report (16 September 2020)</p>

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 Pension Fund'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 	Audit results report (16 September 2020)
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 (16 September 2020)
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Joint Pension Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report (16 September 2020)
Fraud	<ul style="list-style-type: none"> • Enquiries of the Joint Pensions Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Pension Fund • 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 Fund, 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 the Joint Pension Funds responsibility. 	Audit results report (16 September 2020)

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 Pension Fund 	Audit results report (16 September 2020)
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> <p>For public interest entities, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	Audit results report (16 September 2020)

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
	<ul style="list-style-type: none"> • Details of any inconsistencies between the Ethical Standard and policy for the provision of non-audit services, and any apparent breach of that policy • Details of any contingent fee arrangements for non-audit services • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard 	
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 received all investment confirmations
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 Joint Pensions 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 	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"> • Significant deficiencies in internal controls identified during the audit. 	Audit results report (16 September 2020)
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> • Written representations we are requesting from management and/or those charged with governance 	Audit results report (16 September 2020)

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report (16 September 2020)
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit results report (16 September 2020)
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Planning Report (2 June 2020) Audit Results Report (16 September 2020)

Management representation letter

Management Representation Letter

Helen Thompson
Ernst & Young LLP
Grosvenor House,
Grosvenor Square,
Southampton SO15 2BE,

This letter of representations is provided in connection with your audit of the financial statements of Wandsworth Pension Fund (“the Fund”) for the year ended 31 March 2020. 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 2019 to 31 March 2020 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2020, 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 2019/20.

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 2019/20.
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 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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.

Management representation letter

Management Representation Letter

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. We have drawn to your attention all correspondence and notes of meetings with regulators.
6. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Pension Fund (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council'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 Group or Council's activities, its ability

to continue to operate, or to avoid material penalties;

- involving management, or employees who have significant roles in internal controls, or others; or
- 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.
3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date 16 September 2020.
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

Management representation letter

Management Representation Letter

transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.

7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

9. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

10. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note PF Note 36 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. there have been no events including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises The other information comprises the Wandsworth Pension Fund Annual Report 2019/20.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. 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.

H. Derivative Financial Instruments

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

Management representation letter

Management Representation Letter

I. 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.

J. Actuarial valuation

1. The latest report of the actuary Barnett Waddingham as at [Date] and dated [Date] has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value:

- The actuarial present value of promised retirement benefits (the Actuary).
- The directly owned property investments of the Fund (the Property Valuer)

2. 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.

L. Estimates: IAS 26 Current Value Of Promised Retirement Benefits and the valuation of Infrastructure and Private Debt Instruments:

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

3. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Going Concern

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

N. Ownership of Assets

1. Except for assets capitalized under finance leases, the Pension Fund has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Pension Fund's assets, nor has any asset been pledged as collateral, other than those that are disclosed in Note [X] to the financial statements. All assets to which the Pension Fund has satisfactory title appear in the balance sheet(s).

Yours faithfully,

Director of Resources and Deputy Chief Executive and Chair of Joint Pensions Committee

Appendix H

Regulatory update

Since the date of our last report to the Joint Pensions Committee, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on Wandsworth Pension Fund 
Going Concern - ISA (UK) 570 (Revised September 2019)	<ul style="list-style-type: none"> The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, however EY expects to early-adopt the revised standard for all of our audits of periods ending on or after 30 June 2020. This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. 	<ul style="list-style-type: none"> Practice Note 10, which sets out how the auditing standards are applied in a public sector context, is currently being revised, including in light of the updated standard for Going Concern. As such, the impact is not clear at this stage. Further updates will be provided when possible.
Independence	<ul style="list-style-type: none"> The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and will be effective from 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 companies that are UK Public Interest Entities (PIEs). This prohibition will also extend to any UK parent and apply to all worldwide subsidiaries. A narrow list of permitted services will continue to be allowed. 	<ul style="list-style-type: none"> We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under the FRC Revised Ethical Standard 2019 which will be effective from 15 March 2020. Non-audit services which are in progress as at 15 March 2020 and are permitted under the existing ethical standard will be allowed to continue under the existing engagement terms until completed. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales. To date, no non-audit services have been provided.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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