



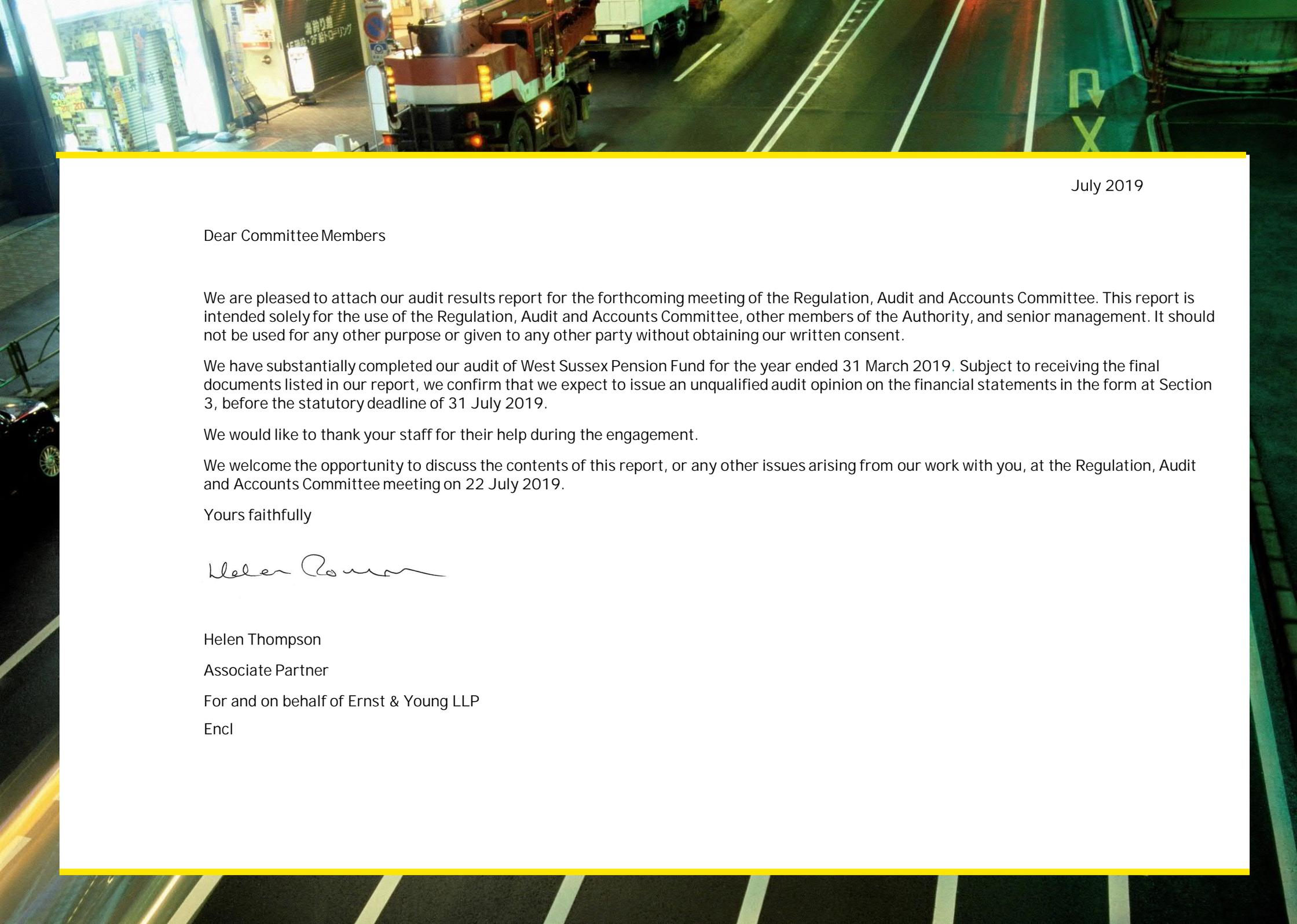
West Sussex Pension
Fund
Audit results report
Year ended 31 March 2019

July 2019



EY

Building a better
working world

A nighttime photograph of a city street. In the foreground, a large truck with its headlights on is driving away from the camera. To the left, there is a brightly lit building with large windows and a sign that reads '海防ビル' (Kaibou Building). The street has white lane markings and a green 'X' marking on the road surface. The overall scene is illuminated by streetlights and building lights, creating a mix of warm and cool tones.

July 2019

Dear Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Regulation, Audit and Accounts Committee. This report is intended solely for the use of the Regulation, Audit and Accounts 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 have substantially completed our audit of West Sussex Pension Fund for the year ended 31 March 2019. Subject to receiving the final documents listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2019.

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

We welcome the opportunity to discuss the contents of this report, or any other issues arising from our work with you, at the Regulation, Audit and Accounts Committee meeting on 22 July 2019.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Helen Thompson'. The signature is fluid and cursive, written in a professional style.

Helen Thompson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

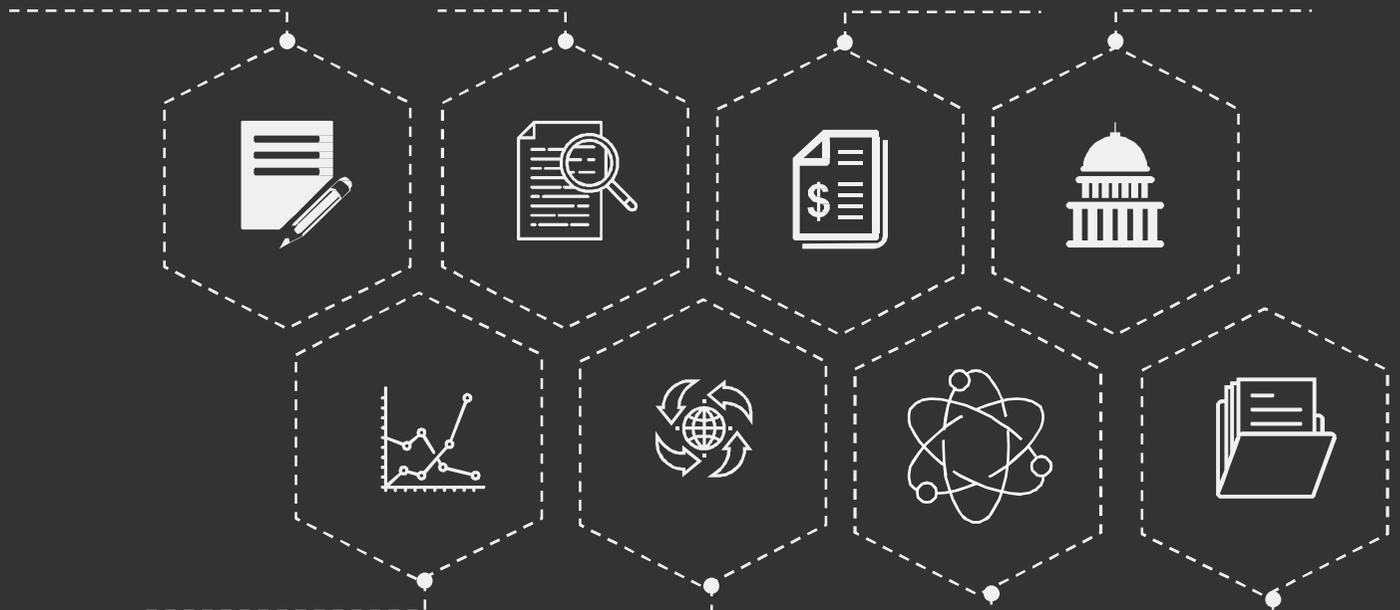
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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). It is available from the Chief Executive of each audited body and via the PSAA website.

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.



01 Executive Summary

Executive Summary

Scope update

In our audit planning report presented at the 21st January 2019 Regulation, Audit and Accounts 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 exception:

- Changes in materiality: We updated our planning materiality assessment using the draft financial statements. Based on our materiality measure of net assets, we have updated our overall materiality assessment to £43.7m (Audit Planning Report – £41m). This results in updated performance materiality, at 75% of overall materiality, of £32.8m, and an updated threshold for reporting misstatements of £2.1m.
- We have modified our response to the significant risk raised on the new pensions administration system and transfer of pensions payroll data. Rather than testing reconciliations undertaken on Hartlink and SAP to the point of transfer at the end of February, we have gained partial assurance over the integrity of data by undertaking full year substantive testing of pensions payroll expenditure and membership data covering both the old and new systems. We have, as planned, also reviewed and tested the Fund's arrangements to ensure that membership and pensions payroll data were completely and accurately transferred from the SAP general ledger and Hartlink to the Civica UPM system.

Status of the audit

We have substantially completed our audit of the Pension Fund's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our audit planning report. Subject to satisfactory completion of the following items we expect to issue an unqualified opinion on the West Sussex Pension Fund's financial statements in the form which appears at Section 3.

- Completion of subsequent events review
- Receipt of the signed management representation letter
- Final review of the updated financial statements and annual report following audit

A national issue has resulted in a relatively late change to the pension fund accounts and IAS26 fund liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft pension fund accounts recognised this matter as a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government's appeal, which suggested that the amounts should in fact be able to be fully calculated and so included in the IAS26 liability disclosed within the financial statements. We consider the impact of this on the financial statements further in Section 4.

Audit differences

Each year the Fund completes its draft financial statements based on the Partners Group and Pantheon reports, the fund managers for private equity investments, dated 31 December together with an estimate of movements in the final quarter based cash flow adjustments because reports from the fund managers are not available at the time the draft financial statements are produced. Subsequent to the completion of the draft financial statements, Partners released the full report of results as at year-end. There was a difference of approximately £2.7 million between the estimate included in the draft financial statements and the actual closing net asset values. The Fund has now itself updated the financial statements to reflect this new information.

Executive Summary

Areas of audit focus

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

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

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

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Regulation, Audit and Accounts 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. However, we wish to draw the following weaknesses in the control environment observed as part of our audit to your attention:

- Continued weaknesses in the accuracy of membership data held on the pensions administration system disclosed at Note 1 to the financial statements and reported to the actuary.

Further details are included in Section 6 of the report.

Other reporting issues

We have no other matters to report.

Independence

Please refer to Section 7 for our update on Independence. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.



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: £275,540,000

Total net assets of the Fund available:
£4,371,424,000



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.
- ▶ Undertook a review of reconciliations to the fund manager, custodian and valuer reports and investigated any reconciling differences.
- ▶ Re-performed the detailed investment note using the reports we have acquired directly from the custodian, valuer or fund managers.
- ▶ Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports.
- ▶ Reviewed accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk relating to PPE.
- ▶ Ensured the value applied to each property agrees back to the listing of deeds owned. We viewed the deeds of any new properties acquired in the year, and a sample of existing property deeds.
- ▶ For quoted investment income we agreed the reconciliation between fund managers and custodians back to the 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?

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

New pensions administration system and transfer of pensions payroll data

What is the risk?

The Fund migrated data from its existing pensions administration system Hartlink maintained by Capita to its new Civica UPM system maintained by Hampshire County Council with effect from the start of March 2019. Pensions payroll data currently held in the SAP general ledger was also migrated to Civica UPM at the same point in time. We determined there was a risk that the data would not be completely and accurately migrated to the new system. Although this was not likely to result in material misstatement of the 2018/19 financial statements, as pensions payroll will only be paid from new systems in the final month of the year, the incomplete or inaccurate transfer of data could have a significant impact in the future. We considered the risk to be qualitatively material on that basis.

There is a risk that if pensions membership data and is not accurately migrated to the Civica UPM system disclosure of membership numbers in the 2018/19 financial statements could be misstated or cannot easily be reconciled back to membership data held on the pensions administration system.



It is also essential that the Fund is able to show pension payroll data is completely migrated from the SAP general ledger to Civica UPM and that the pensions payroll is correctly processed subsequent to the migration.

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

We:

- ▶ Substantively tested full year pensions payroll expenditure which was generated by both the old and new payroll systems.
- ▶ Substantively tested membership data at the end of the year held on Civica UPM to a sample of admitted body returns. We consider this further in Section 6 of this report.
- ▶ Reviewed and tested the Fund's arrangements to ensure that membership and pensions payroll data were completely and accurately transferred from the SAP general ledger and Hartlink to the Civica UPM system operated by Hampshire County Council.

The migration of data to the new system required us to consider how we gain assurance over the complete financial year, relying on data from both the old and new systems. To comply with the requirements of International Standards on Auditing (UK) we also needed to document and walkthrough both the old and new pensions administration and pensions payroll systems to gain a complete understanding how relevant transactions are initiated, recorded, processed and reported in the financial statements.

This is not an area where significant management judgement is applied.

What are our conclusions?

Based on the work we have undertaken we are satisfied that membership and pensions payroll data has been completely and accurately migrated to the new Civica UPM system and that the new system is operating effectively.



Areas of Audit Focus

Other area of audit focus

Valuation of property investments

What is the risk?

We consider the valuation of property investments to be of a higher degree of inherent risk because of the higher degree of estimation uncertainty. Management is required to make material judgemental inputs and apply estimation techniques, supported by a professional valuer, to arrive at the year value of property investments carried in the Net Assets Statement.

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

We:

- Considered the work performed by the Fund's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Challenged the key assumptions used by the valuer.
- Tested accounting entries have been correctly processed in the financial statements.

Our approach focused on comparing the changes in market value of directly owned investment property in the professional valuer's year end report and financial statements to publicly available indices of market value changes for properties of a similar type and geographical location. We paid particular attention to retail properties, which account for around ten per cent of the Fund's directly owned investment property portfolio given the recent downturn in that sector and likely related impairment of property values.

What are our conclusions?

We concluded that the key assumptions used by the professional valuer and management were reasonable and that the valuation of directly owned property in the valuation report was consistent with that reported in the financial statements. Based on our review the revaluation of Fund property, including the impairment of retail property, was consistent with available market evidence.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST SUSSEX PENSION FUND

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

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

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



Audit Report

Draft audit report

Our opinion on the financial statements

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 Finance and Support Services is responsible for the other information.

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.



Audit Report

Draft audit report

Our opinion on the financial statements

Responsibility of the Director of Finance and Support Services

As explained more fully in the Statement of Responsibilities set out on page 18, the Director of Finance and Support Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance and Support Services 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. 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 West Sussex Pension Fund, 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.



04 Audit Differences





Audit Differences

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

Summary of adjusted differences

We highlight any misstatements greater than £32.8 million which have been corrected by management during the course of our audit. There are no corrected misstatements above this level to bring to your attention.

We report to you any uncorrected misstatements greater than our nominal value of £2.1 million. There are no uncorrected misstatements to bring to your attention.

There is one other matter which we wish to bring to your attention relating to an adjustment made by management to the draft financial statements submitted for audit. Each year the Fund completes its draft financial statements based on the Partners Group and Pantheon reports, the fund managers for private equity investments, dated 31 December together with an estimate of movements in the final quarter based cash flow adjustments because reports from the fund managers are not available at the time the draft financial statements are produced. Subsequent to the completion of the draft financial statements, Partners released the full report of results as at year-end. There was a difference of approximately £2.7 million between the estimate included in the draft financial statements and the actual closing net asset values. The Fund has now itself updated the financial statements to reflect this new information.

Last year we concluded that the Fund should require Partners Group and Pantheon to make year-end results available prior to the draft financial statements being produced. Management have sought to do this but have not been successful in requiring fund managers to produce 31 March reports to allow final figures to be included in the draft financial statements and the approach taken remains consistent with prior years.

McCloud ruling

As noted in the Executive Summary a national issue has resulted in a relatively late change to the pension fund accounts and IAS26 fund liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft pension fund accounts recognised this matter as a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government’s appeal, which suggested that the amounts should in fact be able to be fully calculated and so included in the IAS26 liability disclosed within the financial statements. The actuary has now estimated the impact of the McCloud ruling on the present value of promised retirement benefits. The estimated increase in the value of the net liability of £25 million has now been disclosed at Note 20 to the accounts, with further associated disclosure added to recognise this as a source of estimation uncertainty and post balance sheet event.



05 Other reporting issues



Other reporting issues

Consistency of other information published with the financial statements.

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

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 West Sussex 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;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have nothing to report in respect of these matters.



06

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Pension 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 Pension 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. In the prior year we brought two issues to your attention. One of those issues continue to remain relevant in 2018/19.

Although, based on our work, some limited progress has been made we remain unable to agree membership data disclosed in Note 1 to the financial statements to employer returns for the year for a sample of scheduled and admitted bodies. We have therefore concluded that membership data in the pension administration system, and disclosed at Note 1 to the financial statements, could be inaccurate. This finding is consistent with known weaknesses in the accuracy of membership data on the pensions administration system, and other prior year findings from Internal Audit reviews and our own work.

Assessment of Control Environment

Observation

Note 1 of the financial statements discloses the number of active scheme members, the number of pensioners and the number of deferred pensioners as at 31 March 2019. We agreed those disclosures to membership data held on the pension administration system. We were unable to agree membership data to employer returns for the year for a sample of scheduled and admitted bodies although, based on our work, some limited progress has been made in updating the numbers of the pensions admin system compared to the previous year. We have therefore concluded that membership data in the pension administration system, and disclosed at Note 1 to the financial statements, could be inaccurate. This finding is consistent with known weaknesses in the accuracy of membership data on the pensions administration system, and other findings from Internal Audit reviews and our own work in previous periods.

Although we are satisfied this does not have a material impact on the financial statements this is a control weakness that needs to be addressed.

Management comment

The Pension Fund has recently changed administration provider. The change has been made with the expectation that data held on the pension administration system will improve due to timeliness of cases being resolved and through the End of Year process.

However, it should be noted that part of the purpose of the End of Year process is to reconcile the pension administration system with the information held by employers and to identify and reconcile any difference.

The End of Year process runs to a different timetable to the accounts and therefore there will always be a timing difference between the administration system and the employer records being aligned.

We are confident that the progress made to date will continue to improve.



07

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated January 2019.

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this.

We confirm we have undertaken no non-audit work outside the PSAA Code requirements.



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

There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Independence

Fee analysis

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

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

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee – Code work	28,864***	25,864**	20,364	31,947*

* Includes an additional fee of £5,500 for IAS 19 assurance work on behalf of admitted bodies which has been approved by Public Sector Audit Appointments Limited (PSAA).

** Includes a proposed additional fee of £5,500 for IAS19 assurance work on behalf of admitted bodies. This remains subject to approval by PSAA.

*** Includes a proposed additional fee of £5,500 for IAS19 assurance work on behalf of admitted bodies. This remains subject to approval by PSAA. We are also proposing to charge an additional fee of £3,000 for work required to gain assurance over the transfer of pension membership and payroll data to the Fund's new Civica UPM system. This additional fee also remains subject to approval by PSAA

All fees exclude VAT



07

Appendices

Audit approach update

We are required to communicate whether there have been any changes to the audit of the net assets statement from the prior year audit. In 2018/19 we have again taken a fully substantive approach to the audit and there have been no significant changes to our approach.

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 B

Summary of communications

Date 	Nature 	Summary 
Throughout the year	Meetings, calls and e-mails	The Senior Manager has been in regular contact with the Director of Finance and Support Services corporate finance team in respect of the Fund's risks, accounts closedown and the audit approach.
<ul style="list-style-type: none"> • 24/5/2018 Informal Update • 5/7/2018 PrAM • 23/7/2018 RAAC • 6/9/2018 Informal Update • 18/10/2018 PrAM • 5/11/2018 RAAC • 7/1/2019 PrAM • 21/1/2019 RAAC • 7/2/2019 Informal Update • 7/3/2019 PrAM • 25/3/2019 RAAC • 21/5/2019 Informal Update • 27/6/2019 PrAM 	Meetings and reports	<p>The Associate Partner and/or Senior Manager have attended all meetings of the Regulation, Audit and Accounts Committee (RAAC) held during the year and through to the date of issue of this report. This includes all informal Chair briefing sessions and pre-agenda meetings (PrAM).</p> <p>Specific reports issued and communications with the Regulation, Audit and Accounts Committee are detailed in Appendix C.</p> <p>Progress updates have been presented to each meeting apart from the 21 January meeting of the Committee when the Audit Plan was presented.</p>
<ul style="list-style-type: none"> • 12/6/2018 • 2/7/2018 • 10/12/2018 • 11/3/2019 • 6/6/2019 	Meetings	The Senior Manager and Associate Partner have met regularly with the Director of Finance and Support Services on a regular 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 Regulation, Audit and Accounts 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 Regulation, Audit and Accounts Committee (RAAC) 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.	21 January 2019 Regulation, Audit and Accounts Committee – Audit Plan
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	21 January 2019 Regulation, Audit and Accounts Committee – Audit Plan
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 	22 July 2019 Regulation, Audit and Accounts Committee – Audit Results Report

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Public Interest Entities / Major Local Audits	<p>For the audits of financial statements of public interest entities our written communications to RAAC 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 RAAC • 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>21 January 2019 Regulation, Audit and Accounts Committee – Audit Plan and</p> <p>22 July 2019 Regulation, Audit and Accounts Committee – Audit Results Report</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 entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	22 July 2019 Regulation, Audit and Accounts Committee – Audit Results Report
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 	22 July 2019 Regulation, Audit and Accounts Committee – Audit Results Report
Subsequent events	<ul style="list-style-type: none"> • Enquiry of RAAC where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	22 July 2019 Regulation, Audit and Accounts Committee – Audit Results Report
Fraud	<ul style="list-style-type: none"> • Enquiries of RAAC 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 Pension 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 RAAC responsibility. 	22 July 2019 Regulation, Audit and Accounts Committee – Audit Results Report

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 Pension 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 	22 July 2019 Regulation, Audit and Accounts Committee – Audit Results Report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</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 	<p>21 January 2019 Regulation, Audit and Accounts Committee – Audit Plan and</p> <p>22 July 2019 Regulation, Audit and Accounts Committee – Audit Results Report</p>
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 requested confirmations

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the 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 	22 July 2019 Regulation, Audit and Accounts Committee – Audit Results Report
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	22 July 2019 Regulation, Audit and Accounts Committee – Audit Results Report
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 	22 July 2019 Regulation, Audit and Accounts Committee – Audit Results Report
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 	22 July 2019 Regulation, Audit and Accounts Committee – Audit Results Report
Auditors report	<ul style="list-style-type: none"> • Any circumstances identified that affect the form and content of our auditor’s report 	22 July 2019 Regulation, Audit and Accounts Committee – Audit Results Report
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 	21 January 2019 Regulation, Audit and Accounts Committee – Audit Plan and 22 July 2019 Regulation, Audit and Accounts Committee – Audit Results Report

Management representation letter

West Sussex Pension Fund

Management Representation Letter

22 July 2019

Helen Thompson
Associate Partner
Ernst & Young LLP
Threefield House
19 Threefield Lane
Southampton
SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of West Sussex Pension Fund (“the Fund”) for the year ended 31 March 2019. 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 2018 to 31 March 2019 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2019, 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 2018/19.

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 2018/19.
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

Management representation letter

the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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 2018/2019 that are free from material misstatement, whether due to fraud or error.

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.

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.
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 management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through 2018/19 to the most recent meeting of the Pension Panel on 29 April 2019 and Regulation, Audit and Accounts Committee on 22 July 2019.
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 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.

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. Subsequent Events

1. As described in Note 6 to the financial statements, there have been no events 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 West Sussex Pension Fund Annual Report 2018/19.
2. We confirm that the content contained within the other information is consistent with the financial statements.

Management representation letter

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.

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, Steven Law from Hymans Robertson as at 31 March 2016 and dated 2nd May 2017, 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)

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

L. Estimates

The valuation of directly owned property investments

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate 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 2018/19.
2. We confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
3. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

Yours faithfully,

Katharine Eberhart
Director of Finance and Support Services

Dr Nigel Dennis
Chairman of the Regulation, Audit and Accounts Committee

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