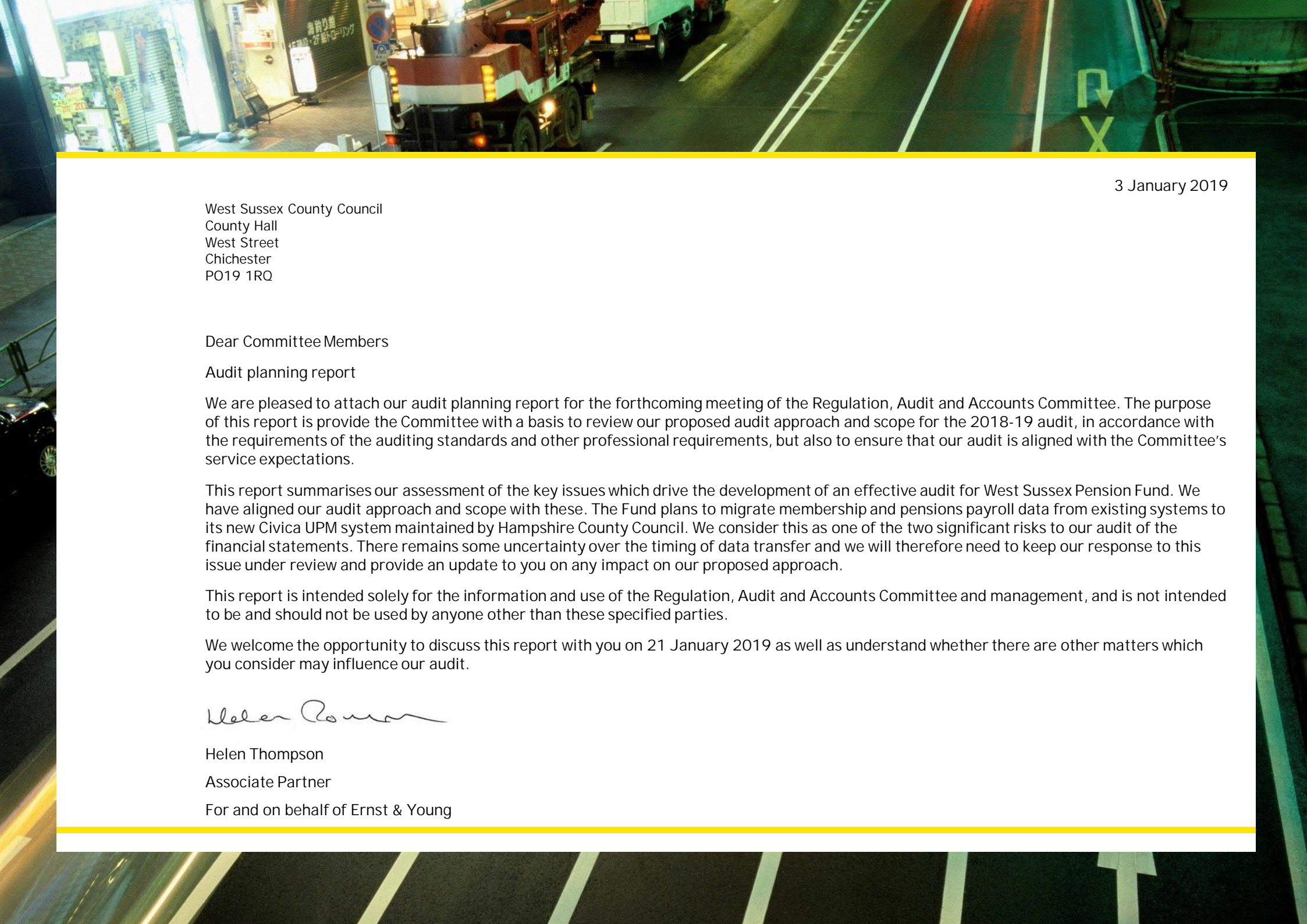




West Sussex
Pension Fund
Audit planning report
Year ended 31 March 2019

January 2019



3 January 2019

West Sussex County Council
County Hall
West Street
Chichester
PO19 1RQ

Dear Committee Members

Audit planning report

We are pleased to attach our audit planning report for the forthcoming meeting of the Regulation, Audit and Accounts Committee. The purpose of this report is provide the Committee with a basis to review our proposed audit approach and scope for the 2018-19 audit, in accordance with the requirements of the auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for West Sussex Pension Fund. We have aligned our audit approach and scope with these. The Fund plans to migrate membership and pensions payroll data from existing systems to its new Civica UPM system maintained by Hampshire County Council. We consider this as one of the two significant risks to our audit of the financial statements. There remains some uncertainty over the timing of data transfer and we will therefore need to keep our response to this issue under review and provide an update to you on any impact on our proposed approach.

This report is intended solely for the information and use of the Regulation, Audit and Accounts Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 21 January 2019 as well as understand whether there are other matters which you consider may influence our audit.



Helen Thompson
Associate Partner

For and on behalf of Ernst & Young

Contents

01 Overview of our 2018-19 audit strategy



02 Audit risks



03 Audit materiality



04 Scope of our audit



05 Audit team



06 Audit timeline



07 Independence



08 Appendices



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The 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 (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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Regulation, Audit and Accounts Committee and management of West Sussex Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Regulation, Audit and Accounts Committee, and management of West Sussex Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Committee and management of West Sussex Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2018-19 audit strategy



Overview of our 2018-19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Regulation, Audit and Accounts Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of manipulation of Investment income and valuation.	Fraud risk.	This risk was also identified in the prior year.	<p>As identified in ISA 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 would otherwise appear to be operating effectively.</p> <p>We have determined that the way in which management could override controls is through the manipulation of the journal entries which record the investment income and changes to investment valuation.</p>
New pensions administration system and transfer of pensions payroll data.	Significant risk.	New risk for 2018/19.	<p>The Fund plans to migrate data from its existing pensions administration system Hartlink maintained by Capita to its new Civica UPM system maintained by Hampshire County Council with a planned go-live date of 4 March 2019. Pensions payroll data currently held in the SAP general ledger will also be migrated to Civica UPM at the same point in time.</p> <p>We have determined that there is a risk that the data will not be completely and accurately migrated.</p>
Valuation of Property Investments	Inherent Risk.	New risk for 2018/19.	<p>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.</p> <p>Although we are now reporting this as a new inherent risk relevant to the 2018/19 audit our audit procedures relating to valuation of Property Investments are not expected to significantly change from the previous period</p>

Overview of our 2018-19 audit strategy

Materiality

Planning
materiality
£41.0m

Materiality has been set at £41.043 million which represents 1% of 2017-18 net assets. In the prior year we applied a threshold of 2%, meaning that materiality was set as £82 million. Materiality has been reduced following an internal review process for the use of materiality at Major Local Audits. There are a number of reasons for this decision, and these include:

- Pension funds have a high level of public interest by their nature;
- There are uncertainties in the markets which are expected to continue in this financial year end and beyond. Pension funds are exposed to these uncertainties through their investments;
- Consistency with our audit approach to materiality in the financial services sector.

Performance
materiality
£30.8m

Performance materiality has been set at £30.782 million, which represents 75% of materiality.

Audit
differences
£2.1m

We will report all uncorrected misstatements relating to the Net Assets Statement and Pension Fund Account over £2.052 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Regulation, Audit and Accounts Committee.



02

Audit risks



Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of manipulation of investment income and valuation

Financial statement impact

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

Net return on investments:
£277,204,000

Total net assets of the Fund available:
£4,104,276,000

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.

What will we do?

We will:

- ▶ Test journals at year-end to ensure there are no unexpected or unusual postings;
- ▶ Undertake a review of reconciliations to the fund manager, custodian and valuer reports and investigating any reconciling differences;
- ▶ Re-perform the detailed investment note using the reports we have acquired directly from the custodian, valuer or fund managers;
- ▶ Check the reconciliation of holdings included in the Net Assets Statement back to the source reports;
- ▶ Review accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk relating to PPE;
- ▶ Ensure the value applied to each property agrees back to the listing of deeds owned. We will view the deeds of any new properties acquired in the year, and a sample of existing property deeds; and
- ▶ For quoted investment income we will agree the reconciliation between fund managers and custodians back to the source reports.

We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries for evidence of management bias and evaluate for business rationale.

Our response to significant risks

New pensions administration system and transfer of pensions payroll data

Financial statement impact

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 is the risk?

The Fund plans to migrate data from its existing pensions administration system Hartlink maintained by Capita to its new Civica UPM system maintained by Hampshire County Council during February 2019 with a planned go-live date of 4 March 2019. Pensions payroll data currently held in the SAP general ledger will also be migrated to Civica UPM at the same point in time. A project plan has been established and officers will continue to work through the remainder of the financial year to deliver against this. A final decision on the timing of data transfer is expected by mid-January 2019.

We have determined that there is a risk that the data will not be completely and accurately migrated to the new system. Although this is 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 and we consider the risk to be qualitatively material on that basis.

What will we do?

We will:

- ▶ Review and test the lump sum, early retirement and transfer (in / out) reconciliations between SAP and Hartlink to February 2019 completed by the Fund to gain assurance over the integrity of data prior to transfer.
- ▶ Review and test the Fund's arrangements to ensure that membership and pensions payroll data are 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 will require 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 will also need 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.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?

Valuation of Property Investments

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 will we do?

We will:

- Consider 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.
- Challenge the key assumptions used by the valuer.
- Test accounting entries have been correctly processed in the financial statements.



03

Audit materiality



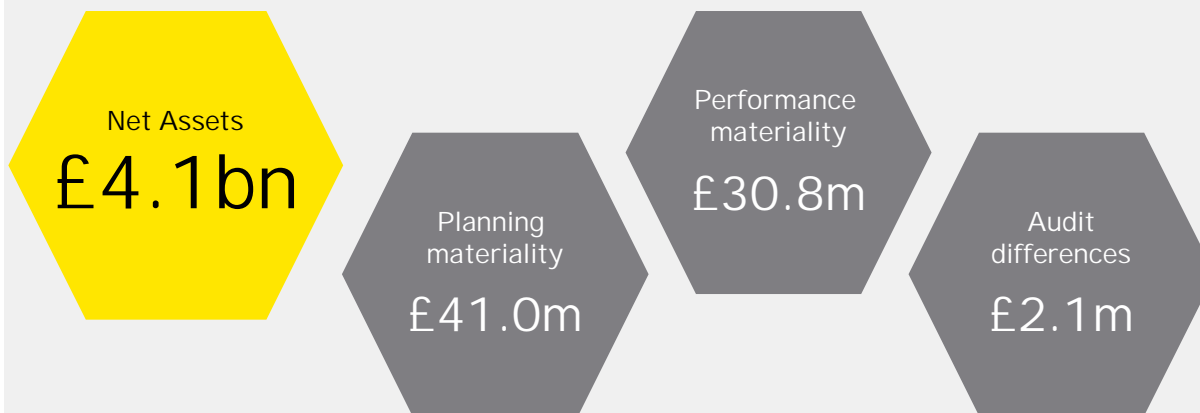
Materiality

Group materiality

For planning purposes, materiality for 2018-19 has been set at £41.0 million. This represents 1% of the net assets for 2017-18. In the prior year we applied a threshold of 2%, meaning that materiality was set as £82.0 million. Materiality has been reduced following an internal review process for the use of materiality at Major Local Audits. There are a number of reasons for this decision, and these include:

- Pension funds have a high level of public interest by their nature;
- There are uncertainties in the markets which are expected to continue in this financial year end and beyond. Pension funds are exposed to these uncertainties through their investments;
- Consistency with our audit approach to materiality in the financial services sector.

It will be reassessed throughout the audit process. For West Sussex Pension Fund, the Net Asset Statement, which discloses the value of the investments held by the scheme, is the most appropriate measure rather than the Fund Account. Assets are key, as they cover the liabilities of the fund and generate significant income. Use of net assets as the measure of materiality is EY standard practice for pension funds.



We request that the Regulation, Audit and Accounts Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £30.8 million which represents 75% of planning materiality. We apply 75% when it is not an initial audit and we have a sound understanding of the entity and past experience with the engagement indicates that a higher risk of misstatement is unlikely.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the fund account and the net assets statement that have an effect on returns or that relate to expenditure.

Other uncorrected misstatements, such as reclassifications and misstatements in the statements or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Regulation, Audit and Accounts Committee, or are important from a qualitative perspective.



04

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund financial statements:

Financial statement audit

Our objective is:

- To form an opinion on the financial statements under International Standards on Auditing (UK and Ireland); and
- To form an opinion on the consistency of the pension fund financial statements within the pension fund annual report with the published financial statements of West Sussex County Council.

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2018-19 we plan to follow a substantive approach to the audit, as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Regulation, Audit and Accounts Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



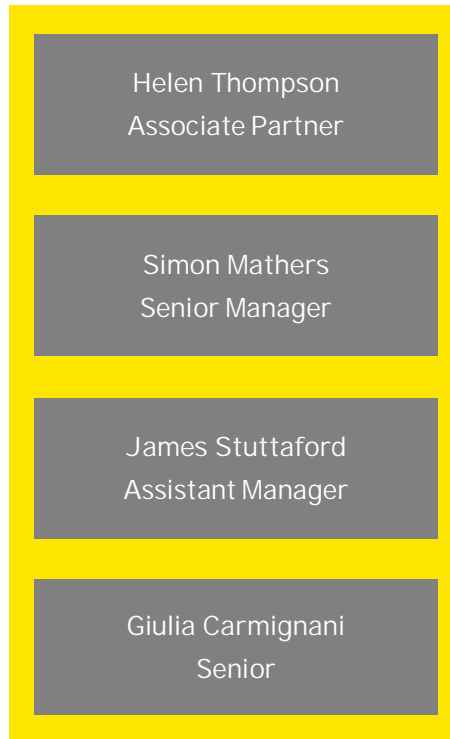
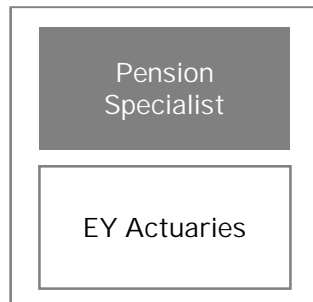
05

Audit team



Audit team

Audit team structure:



Working together with the Pension Fund

We are working together with officers to identify continuing improvements in communication and processes for the 2018-19 audit.

We will continue to keep our audit approach under review to streamline it where possible.

Audit team changes

Key changes to our team.

Giulia Carmignani, Senior

- Giulia takes over from James as the lead senior on the engagement, with James Stuttaford moving to Assistant Manager.
- We have maintained continuity with the 3 most senior personnel on the engagement

Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where specialists are expected to provide input for the current year audit are:

Area	Specialists
Pension Valuation	Management Specialist - Hymans Robertson EY Specialist - EY actuaries
PPE Valuation	Management Specialist - Savills

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Pension Fund's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



06

Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018-19.

From time to time matters may arise that require immediate communication with the Regulation, Audit and Accounts Committee and we will discuss them with the Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Regulation, Audit and Accounts Committee Meeting timetable	Deliverables
Planning: Risk assessment and setting of scopes Walkthrough of key systems and processes	November		
	December		
	January	Regulation, Audit and Accounts Committee Meeting	Audit Planning Report
Interim audit testing	February		
Interim audit testing	March	Regulation, Audit and Accounts Committee Meeting	Interim audit update
	April		
	May		
Year end audit Audit Completion procedures	June		
	July	Regulation, Audit and Accounts Committee Meeting	Audit Results Report Audit opinions and completion certificates
	August		Annual Audit Letter



07

Independence





Independence

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm is independent; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Helen Thompson, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Fund. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, there are no non-audit fees associated with West Sussex Pension Fund. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Pension Fund. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

Other communications

EY Transparency Report 2018

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



08

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2018-19	Final Fee 2017-18
	£	£
Total Fee	25,864**	31,947*
Total audit	25,864	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. We will also need to charge an additional fee for work required to gain assurance over the transfer of pension membership and payroll data to the Fund's new Civica UPM system. We will seek to quantify and report that additional fee to you when we have a clearer understanding of the full scope of the work required and are certain that the transfer will take place during the year.

All fees exclude VAT

The agreed fee presented is based on the following assumptions:

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

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed in advance.



Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B

Required communications with the Regulation, Audit and Accounts Committee





We have detailed the communications that we must provide to the Regulation, Audit and Accounts Committee.

Our Reporting to you

Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Regulation, Audit and Accounts 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	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit Planning Report, 21 January 2019 meeting of the Regulation, Audit and Accounts Committee.
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report, 22 July 2019 meeting of the Regulation, Audit and Accounts Committee.

Appendix B

Required communications with the Regulation, Audit and Accounts Committee (continued)



 Our Reporting to you		
Required communications	 What is reported?	  When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <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, 22 July 2019 meeting of the Regulation, Audit and Accounts Committee.
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Audit Results Report, 22 July 2019 meeting of the Regulation, Audit and Accounts Committee.
Fraud	<ul style="list-style-type: none"> • Enquiries of the Regulation, Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Audit Results Report, 22 July 2019 meeting of the Regulation, Audit and Accounts Committee.
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <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 entity 	Audit Results Report, 22 July 2019 meeting of the Regulation, Audit and Accounts Committee.

Appendix B

Required communications with the Regulation, Audit and Accounts Committee (continued)



Our Reporting to you

Required communications	 What is reported?	 When and where
Independence	<ul style="list-style-type: none"> • Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence • Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <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>Audit planning report, 21 January 2019 meeting of the Regulation, Audit and Accounts Committee.</p> <p>Audit Results Report, 22 July 2019 meeting of the Regulation, Audit and Accounts Committee.</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 	<p>Audit Results Report, 22 July 2019 meeting of the Regulation, Audit and Accounts Committee.</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Regulation, Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	<p>Audit Results Report, 22 July 2019 meeting of the Regulation, Audit and Accounts Committee.</p>
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	<p>Audit Results Report, 22 July 2019 meeting of the Regulation, Audit and Accounts Committee.</p>
Representations	<ul style="list-style-type: none"> • Written representations we are requesting from management and/or those charged with governance 	<p>Assurance Letter to be received shortly after year-end.</p>
Material inconsistencies and misstatements	<ul style="list-style-type: none"> • Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	<p>Audit Results Report, 22 July 2019 meeting of the Regulation, Audit and Accounts Committee.</p>
Auditors report	<ul style="list-style-type: none"> • Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report 	<p>Audit Results Report, 22 July 2019 meeting of the Regulation, Audit and Accounts Committee.</p>

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Regulation, Audit and Accounts Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.