

# Audit Findings

*Year ending 31 March 2018*

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Somerset Pension Fund  
18 July 2018



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

## Introduction

This table summarises the key issues arising from the statutory audit of Somerset Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2018 for those charged with governance.

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<b>Financial Statements</b>	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: <ul style="list-style-type: none"><li>the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting;</li></ul>	We commenced our post-statements onsite visit in early June and as at 18 July 2018 our audit is substantially complete. Our findings are summarised on pages 4 to 11.  We did not identify any errors or other areas requiring amendment in the draft pension fund financial statements for the year ended 31 March 2018. We have recommended a small number of adjustments to improve the presentation of the financial statements.  The draft financial statements were presented for audit in accordance with the earlier timetable of the end of May 2018. The accounts were supported by good quality working papers and we received prompt responses to our queries.  Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of the one recommendation from the prior year's audit are detailed in Appendix B.  Subject to a small number of outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 26 July 2018, as detailed in Appendix E.
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## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

# Summary

## Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance (in the case of Somerset Pension Fund, the Audit Committee) to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;

- Controls testing of the Scheme Contributions (Defined benefits) and Benefits Payments systems; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 26 July 2018, as detailed in Appendix E. These outstanding items include:

- receipt of the management representation letter
- review of the final set of financial statements
- obtaining and reviewing the annual report
- completion of our subsequent events review
- reviewing the valuation of the investment in the Brunel Company and the accounting treatment of this.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan We detail in the table below our assessment of materiality for Somerset Pension Fund.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	19,702,000	Based on 1% of the net assets for the prior financial year. The change in net assets from the prior year did not require a change to materiality. The same benchmark was used for the 2016/17 audit
Performance materiality	14,776,500	This is 75% of materiality based on the quality of financial systems and processes and the nature of the Pension Fund's income and expenditure streams. Quality of accounts and working papers in previous years and level of amendments arising from audit process.
Trivial matters	985,100	5% of materiality and the level above all differences are reported to members as those charged with governance
Materiality for specific transactions, balances or disclosures – Management expenses	500,000	Due to public interest in these disclosures

# Significant audit risks

## Risks identified in our Audit Plan

### Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

## Commentary

### Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- The culture and ethical frameworks of local authorities, including Somerset Pension Fund, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for Somerset Pension Fund.

## Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We identified management override of controls as a risk requiring special audit consideration.

## Auditor commentary

We have undertaken the following work in relation to this risk

- Gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness
- Obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness
- Evaluated the rationale for any changes in accounting policies or significant unusual transactions

Our audit work has not identified any issues in respect of management override of controls with the exception of the Pension Fund policy for journals not requiring a second authoriser. This issue has been included within the action plan.

# Significant audit risks

Risks identified in our Audit Plan	Commentary
<p><b>The valuation of Level 3 investments is incorrect</b>                      Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>We identified the valuation of level 3 investments as a risk requiring special audit consideration.</p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> <li>gained an understanding of the Fund’s process for valuing level 3 investments and evaluate the design of the associated controls</li> <li>Reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments</li> <li>Considered the competence, expertise and objectivity of any management experts used</li> <li>Reviewed the qualifications of the expert to value Level 3 investments at year end and gained an understanding of how the valuation of these investments has been reached</li> <li>For a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreed these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2018 with reference to known movements in the intervening period</li> </ul> <p>Our audit work has not identified any issues in respect of the valuation of level 3 investments.</p>

# Reasonably possible audit risks

## Risks identified in our Audit Plan

### Contributions

Contributions from employers and employees' represents a significant percentage (24%) of the Fund's revenue. We therefore identified occurrence and accuracy of contributions as a risk requiring particular audit attention

## Commentary

### Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Fund's accounting policy for recognition of contributions for appropriateness;
- gained an understanding of the Fund's system for accounting for contribution income and evaluated the design of the associated controls;
- tested a sample of contributions to source data to gain assurance over their accuracy and occurrence;
- Rationalised contributions received with reference to changes in member body payrolls and the number of contributing pensioners to ensure that any unusual trends are satisfactorily explained.

Our work has not identified any significant issues in relation to contributions.

### Pension Benefits Payable

Pension benefits payable represents a significant percentage (78%) of the Fund's expenditure.

We identified completeness of pension benefits payable as a risk requiring particular audit attention:

### Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;
- gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls;
- tested a sample of individual pensions in payment by reference to member files;
- rationalised pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.

Our work has not identified any significant issues in relation to pension benefits payable.

# Reasonably possible audit risks

## Risks identified in our Audit Plan

### The valuation of Level 2 investments is incorrect

While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.

We identified valuation of level 2 investments as a risk requiring particular audit attention.

## Commentary

### Auditor commentary

We have undertaken the following work in relation to this risk:

- gained an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls.
- evaluated the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments.
- reviewed the reconciliation of information provided by the pension fund's/individual fund manager's custodian and the Pension Scheme's own records and sought explanations for variances;
- considered the competence, expertise and objectivity of any management experts used.
- evaluated the qualifications of the expert [insert fund manager or custodian if used] to value the level 2 investments at year end and gained an understanding of how the valuation of these investment has been reached.
- for a sample of investments, tested the valuation by obtaining independent information from custodian/manager on units and unit prices.

Our work has not identified any significant issues in relation to the valuation of level 2 investments



# Other issues and matters discussed with management

This section provides commentary on issues and matters which were identified during the course of the audit and discussed with management.

Issue	Commentary	Auditor view
<b>Going concern</b>	Management set out their consideration of the appropriateness of the adoption of going concern assumption for Somerset Pension Fund in their response to our ISA240 letter that went to Audit Committee in April 2018. In this report the then S151 officer confirmed his view that the Pension Fund is a going concern. In July the interim S151 subsequently confirmed to us that there are no material uncertainties to this view that would require disclosure.	We have reviewed management's assessment and are satisfied with the judgement that the going concern basis is appropriate for the 2017/18 financial statements.
<b>Brunel Pension Partnership Limited (BPP)</b>	<p>The Pension Fund, have invested £840,000 in two ordinary shares in BPP. The Pension Fund is therefore one of ten joint shareholders in the Company.</p> <p>The Fund in discussions with Brunel, the other Brunel funds and discussions with Brunel's Auditor, have recognised the amount paid as an investment asset of the Pension Fund.</p>	We are still reviewing this treatment to ensure that there is consistency across all Brunel partners in terms of valuations and accounting treatment.

# Accounting policies

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<p>Contributions are accounted for on an accruals basis, not simply when cash payments are made or received.</p> <p>The Fund account is prepared on a full accruals basis, with the exception of transfer values</p>	<p>We have no issues to report over the</p> <ul style="list-style-type: none"> <li>• Appropriateness of the policy relating to contributions</li> <li>• Adequacy of disclosure of accounting policy</li> </ul>	<b>G</b>
<b>Judgements and estimates</b>	<p>Management has disclosed its accounting policy and key estimates and judgements around</p> <ul style="list-style-type: none"> <li>– Valuation of level 3 investments</li> <li>– Pension Fund Liability</li> <li>– The assumptions within the IAS26 calculation of the present value of future retirement benefits</li> <li>– The assumptions within the triennial valuation</li> </ul>	<p>We have no issues to report over the</p> <ul style="list-style-type: none"> <li>• Appropriateness of policy under relevant accounting framework</li> <li>• Extent of judgement involved,</li> <li>• Potential financial statement impact of different assumptions</li> <li>• Adequacy of disclosure of accounting policy</li> </ul>	<b>G</b>
<b>Other critical policies</b>	<p>We have reviewed the Fund's policies against the requirements of the CIPFA Code of Practice. The Fund's accounting policies are appropriate and consistent with previous years.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to you attention</p>	<b>G</b>

## Assessment

- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

## Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We discussed matters in relation to fraud in our communications with management and the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures</li> </ul>
<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed from the work carried out.</li> </ul>
<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Pension Fund, which is included in the Audit Committee papers.</li> </ul>
<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send a confirmation request to the Fund's Bank for confirmation of cash balances. This permission was granted and the requests were sent. This requests was returned with positive confirmation.</li> </ul>
<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements</li> </ul>
<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2018 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.</li> </ul>

# Independence and ethics

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

However, we would like to draw members attention to the fact that Grant Thornton UK LLP are the appointed auditors for Brunel Pension Partnership Limited, a Company which Somerset County Council, on behalf of Somerset Pension Fund, holds 10% of the Share Capital. The Company was formed to hold and Invest the Investment assets of 10 Local Government pension funds. We do not consider this appointment presents an Independence issue for us as your auditors, for transparency we do consider this a matter to bring to your attention.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Somerset Pension Fund. The following audit related services were identified/ No non-audit services were identified.

Service	£	Threats	Safeguards
<b>Audit related</b>			
Audit of Brunel Pension Partnership Limited (BPP)	40,000	None	<p>We do not consider that the Audit of BPP is a threat to our independence as Somerset Pension cannot exercise control over BPP.</p> <p>The audit of BPP is carried out by a specialist team, authorised by the Financial Standards Authority.</p> <p>The Fee of £40,000 is not significant compared to the audit fees of the ten participating pension funds.</p>
<b>Non-audit related</b>			
None			

# Action plan

We have identified one recommendation for the Pension Fund as a result of issues identified during the course of our audit. Our recommendation and management's response are set out below. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
A●	<ul style="list-style-type: none"> <li>The current journal policy does not require a second person to authorise journals before they are posted to the general ledger. There is a risk of self authorisation that could lead to fraudulent journals being posted</li> </ul>	<ul style="list-style-type: none"> <li>To reduce the risk of material error from journal adjustments made in the general ledger, we recommend that Somerset Pension Fund includes, in its journal policy, the requirement that all journals should be authorised by a second person</li> </ul> <p><b>Management response</b></p> <p>Somerset CC (SCC) finance officers do not share the view of the external auditors on the need to have journals authorised by a second person:-</p> <p>From a fraud perspective, there are controls already in place in the AP and AR systems, including segregation of duties around key tasks. This is where the real risks lie. Journals do not actually involve expenditure or income, so the inherent risk to SCC is absolutely minimal. Regular internal audit work on our AP and AR systems have not demonstrated any risks that would need an additional authorisation to journals in the general ledger. This work provides on-going evidence of the strength of controls in those systems fundamental to the Council's internal control framework. Each user of SAP has an individual ID that is registered against each transaction that the user makes. Any unusual suspicious journals are going to be traceable to a single member of staff.</p> <p>There are restrictions around the number of SAP users who can actually carry our journals – it is not as if this is standard functionality available to all users, but is restricted to key finance staff only. (These are very rarely AR and AP users).</p> <p>Key journals have other controls – in particular accruals over £25k do actually need to be signed off by a Strategic Manager before being processed.</p> <p>SCC's budget monitoring acts as another control in order to pick up rogue journals. Budget management / service budget holders would be surprised to see any transactions on their codes that they did not recognise and would investigate.</p> <p>No examples have been offered by either Grant Thornton or SWAP of journals where this has occurred – either fraudulently or by error. SCC has provided a full journal list to Grant Thornton for SCC .</p> <p>SCC has to consider the costs of control, which are potentially high. These may include – (i) the possible need to reconfigure SAP and to pay to do so, requiring journals to be authorised; (ii) the costs of maintaining GL authorisation lists in addition to AP / AR authorisation lists; and (iii) the costs of having additional finance staff involved in the process, both in terms of adding staff and in terms of slowing down bona fide accounting transactions.</p>

## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Follow up of prior year recommendations

We identified the following issue in the audit of Somerset Pension Fund's 2016/17 financial statements, which resulted in 1 recommendation being reported in our 2016/17 Audit Findings report. We have followed up on the implementation of our recommendation and note that it is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<ul style="list-style-type: none"> <li>To reduce the risk of material error from journal adjustments made in the general ledger, we recommend that Somerset Pension Fund includes, in its journal policy, the requirement that all journals should be authorised by a second person.</li> </ul>	<ul style="list-style-type: none"> <li>As in prior years finance officers believe there is sufficient controls in place to mitigate the risk and have therefore declined to amend the process. Further detail on the risk and the recommendation, along with management's response, is set out on page 13.</li> </ul>

## Assessment

- ✓ Action completed
- X Not yet addressed

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

There are no adjusted misstatements

## Impact of unadjusted misstatements

There are no unadjusted misstatements

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
<b>Background</b>	The Pension fund have not disclosed the legislation under which the Fund accounts have been produced	The Fund should consider including all applicable legislation	✓
<b>Note 25</b>	Fair value hierarchy requires further detail as to the assumptions used	The Fair Value Hierarchy requires that the Fund identify the inputs and key sensitivities that impact on categorisation of assets. The Fund should ensure this is sufficiently detailed to allow readers to understand decisions made by the Fund on how assets have been categorised.	✓

# Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

## Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	£23,859	£23,859
<b>Total audit fees (excluding VAT)</b>	<b>£23,859</b>	<b>£23,859</b>

The Pension Fund received a rebate of £3,540 from Public Sector Audit Appointments Ltd (PSAA) in 2017/18.  
The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)



# Draft Audit opinion

We anticipate we will provide the Pension Fund with an unmodified audit report

## Independent auditor's report to the members of Somerset County Council on the pension fund financial statements

### Opinion

We have audited the pension fund financial statements of Somerset County Council] (the 'Authority') for the year ended 31 March 2018 set out on pages 141 to 174 which comprise the background, the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. 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 2017/18.

- 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 2018 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### 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. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, 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.

### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so

that we might state to the Authority's members those matters we are required to state to them in an auditor's 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed

### 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 Chief Finance Officer's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority'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 pension fund financial statements are authorised for issue

### Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 10 and 17 to 40, the Narrative Report from the Chief Finance Officer and the Annual Governance Statement other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work 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 pension fund 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)**

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Statement of Accounts, the Narrative Report from the Chief Finance Officer and the Annual Governance Statement for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

**Matters on which we are required to report by exception**

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

**Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities set out on page 11, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the 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 2017/18, which give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Chief Finance Officer 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 lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit Committee is Those Charged with Governance.

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

Our objectives are to obtain reasonable assurance about whether the pension fund 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 pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

*[Signature – To be added]*

Peter Barber  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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*Date – To be added*



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