

The Audit Findings for Worcestershire County Council Pension Fund

Year ended 31 March 2016

21 July 2016

John Gregory

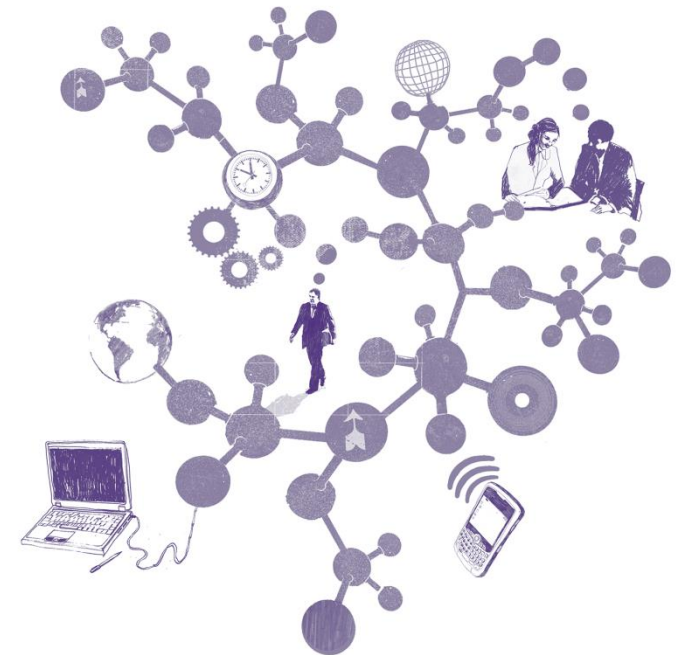
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21 July 2016

Dear Members of the Audit and Governance Committee

Audit Findings for Worcestershire County Council Pension Fund for the year ending 31 March 2016

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Worcestershire County Council Pension Fund, the Audit and Governance Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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.

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 primarily 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 any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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

Yours sincerely

John Gregory

Engagement lead

Chartered Accountants

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Contents

| Section | Page |
|--|-------------|
| 1. Executive summary | 4 |
| 2. Audit findings | 7 |
| 3. Fees, non-audit services and independence | 18 |
| 4. Communication of audit matters | 20 |

Appendices

- A Action plan
- B Audit opinion

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of Worcestershire County Council Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the fund and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance. This includes the Pension Fund Annual Report.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 18 March 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- receipt and review of control reports for a number of fund managers,
- review of 2 outstanding admission agreements,
- review of the final version of the financial statements,
- obtaining and reviewing the management letter of representation,
- updating our post balance sheet events review, to the date of signing the opinion,
- completion of additional responses required in relation to IAS 19 requests from admitted body auditors, and
- review of the Annual Report.

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable. The working papers were much improved on those provided last year.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Key audit and financial reporting issues

Financial statements opinion

We have not identified any adjustments affecting the Fund's reported financial position. However, we have recommended a number of adjustments to improve the presentation of the financial statements and ensure greater alignment with the Code.

The key messages arising from our audit of the Fund's financial statements are:

- We have no adjusted or unadjusted misstatements to report,
- Last year we commented on the quality of working papers and difficulty of access to key documents required to complete the audit. These issues were discussed with officers during the interim audit visit to ensure improvements could be made for the final audit. Our work at year end demonstrated that access to documents and the quality of working papers had improved when compared to prior years,
- This year was the first year that the fund has invested in level 3 investments. As noted in the audit plan these type of investments add an additional level of complexity to the valuation of assets. As a result of the first time nature of these investments, working papers were less developed, and greater narrative disclosure was required within the accounts to highlight both the level of estimation uncertainty in the accounts as a result of these investments and the critical judgements required. We have worked with officers to gain the assurance we need, and made recommendations to improve the disclosures.

We anticipate providing an unqualified opinion in respect of the Fund's financial statements.

Further details are set out in section two of this report.

Controls

Roles and responsibilities

The Fund's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

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 any control weaknesses, we report these to the Fund.

Findings

The only control weaknesses which we wish to bring to your attention are in relation to general IT controls. Further details are provided within section two of this report. However they are not considered to have a significant impact on the statement of accounts.

The way forward

Matters arising from the financial statements audit have been discussed with the Chief Financial Officer.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Chief Financial Officer and the finance team.

Acknowledgement

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.

Grant Thornton UK LLP
July 2016

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

This section summarises the findings of the audit, we report on the final level of materiality used and the work undertaken against the risks we identified in our initial audit plan. We also conclude on the accounting policies, estimates and judgements used and highlight any weaknesses found as part of the audit in internal controls. As required by auditing standards we detail both adjusted and unadjusted misstatements to the accounts and their impact on the financial statements.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £19,873k (being 1% of net assets). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £994k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate, lower, materiality levels were appropriate. These remain the same as reported in our audit plan.

| Balance/transaction/disclosure | Explanation | Materiality level |
|--------------------------------|--|-------------------|
| Management Expenses | Due to public interest in these disclosures and the statutory requirement for them to be made. | £100k |
| Related party transactions | Due to public interest in these disclosures and the statutory requirement for them to be made. | £100k |

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

| | Risks identified in our audit plan | Work completed | Assurance gained and issues arising |
|----|---|---|--|
| 1. | <p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Worcestershire County Council Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Worcestershire County Council as the administering authority, mean that all forms of fraud are seen as unacceptable. | <p>Our audit work has not identified any material issues in respect of revenue recognition.</p> |
| 2. | <p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p> | <ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management, • testing of journal entries • review of unusual significant transactions | <p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>Our interim audit identified that there had been delays in posting investment journals during the year, however this had all been resolved during the year end processes.</p> |

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

| | Risks identified in our audit plan | Work completed | Assurance gained and issues arising |
|----|---|---|--|
| 3. | <p>Level 3 Investments – Valuation is incorrect</p> <p>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</p> <ul style="list-style-type: none"> • gained an understanding of the transactions via discussions with the pension fund team and reviewed supporting documentation. • carried out walkthrough tests of the controls identified in the cycle. • tested a sample of investments by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31s March with reference to known movements in the intervening period. • reviewed the qualifications of fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached. • 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. • reviewed the competence, expertise and objectivity of any management experts used. | <p>This is the first year that the Fund has had level 3 investments, investing just over 8% of the value of the fund in this way. As a result there were some instances where we needed to work with both officers and individual fund managers to ensure we had the appropriate assurances in place over the valuation of these investments.</p> <p>We have no material issues to report in respect of the valuation of level 3 investments. However, we have made some recommendations for improvements to disclosures, which are explained later in this section.</p> |

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.




| Transaction cycle | Description of risk | Work completed | Assurance gained & issues arising |
|--|---|--|--|
| Investment Income | Investment activity not valid. Investment income not accurate. (Accuracy) | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances, OR Completed a predictive analytical review for different types of investments | Our audit work has not identified any significant issues in relation to the risk identified. |
| Investment values – Level 2 investments | Valuation is incorrect. (Valuation net) | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances, OR tested a sample of level 2 investments to independent information from custodian/manager on units and on unit prices. | Our audit work has not identified any significant issues in relation to the risk identified. |

Audit findings against other risks (continued)

| Transaction cycle | Description of risk | Work completed | Assurance gained & issues arising |
|-------------------------|---|---|--|
| Contributions | Recorded contributions not correct (Occurrence) | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • controls testing over occurrence, completeness and accuracy of contributions. • tested a sample of contributions to source data to gain assurance over their accuracy and occurrence. • analysed contributions received with reference to changes in member body payrolls and numbers of contributing pensioners and ensured that any unexpected trends were satisfactorily explained. | Our audit work has not identified any significant issues in relation to the risk identified. |
| Benefits payable | Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence) | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • Controls testing over, completeness, accuracy and occurrence of benefit payments, • 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 the year and ensured that any unusual trends were satisfactorily explained. | Our audit work has not identified any significant issues in relation to the risk identified. |
| Member Data | Member data not correct. (Rights and Obligations) | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • Controls testing over monthly reconciliations and verifications with individual members. • Sample tested changes to member data made during the year to source documentation. | Our audit work has not identified any significant issues in relation to the risk identified. |

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

| Accounting area | Summary of policy | Comments | Assessment |
|---------------------------------|--|--|--|
| Revenue recognition | There are two key policies in relation to revenue recognition: that for contribution income and that for investment income. Normal contributions are accounted for in the payroll month to which they relate. Investment income from equities is accounted for on the date stocks are quoted ex-dividend. Income from fixed interest and index-linked securities, cash and short term deposits is accounted for on an accruals basis, as is income from other investments. | The policies are considered appropriate under the accounting framework in place. |  (Green) |
| Judgements and estimates | <p>In previous years the fund have ascertained that because of its nature no significant accounting judgements or estimates have been made that required disclosure.</p> <p>The change in investment strategy this year has resulted in a material balance of investments with significant unobservable inputs. The valuation of these investments is subject to varying degrees of estimation uncertainty. In each case the Fund chooses to rely on the valuation provided by the fund manager.</p> | The draft financial statements contained no disclosures in relation to either the level of estimation uncertainty or critical judgements used. We have recommended that additional disclosures are included within the final set of statements that more closely align to the disclosures set out in the CIPFA example accounts. |  (Amber) |
| Going concern | Officers have a reasonable expectation that the services provided by the Fund will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. | We have reviewed officers' assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements. |  (Green) |


Assessment

● Marginal accounting policy which could potentially attract attention from regulators (Red)

● Accounting policy appropriate but scope for improved disclosure (Amber)

● Accounting policy appropriate and disclosures sufficient (Green)

Accounting policies, estimates and judgements continued

| Accounting area | Summary of policy | Comments | Assessment |
|---|---|--|--|
| <p>Other accounting policies</p> | <p>The remainder of the Fund's Accounting policies are set out in part 5 of the financial statements. We have reviewed these against the requirements of the CIPFA Code and accounting standards.</p> | <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 style="text-align: center;">  (Green) </p> |

Assessment

● Marginal accounting policy which could potentially attract attention from 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 |
|----|--|--|
| 1. | Matters in relation to fraud | <ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures. |
| 2. | Matters in relation to related parties | <ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed |
| 3. | Matters in relation to laws and regulations | <ul style="list-style-type: none"> 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. |
| 4. | Written representations | <ul style="list-style-type: none"> A standard letter of representation has been requested from the Fund. |
| 5. | Confirmation requests from third parties | <ul style="list-style-type: none"> We requested from management permission to send confirmation requests to all of the fund managers that work with the Fund. This permission was granted and the requests were sent, of these requests all were returned with positive confirmation. |
| 6. | Disclosures | <ul style="list-style-type: none"> Our review of disclosures has identified a number of areas where these could be improved, we have highlighted these for officers and members, and where appropriate amendments to the draft financial statements have been made. |
| 7. | Matters on which we report by exception | <ul style="list-style-type: none"> We are required to report by exception where the Pension Fund Annual Report is inconsistent with the financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2016 and therefore this has not yet been produced. We are therefore unable to give a certificate of completion on the audit of the administering authority until this work has been completed. |

Internal controls



The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements 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 internal control. We considered and walked through the internal controls for Investment Income, Contributions, Benefits Payable, and Member Data as set out on page 9 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

| | Assessment | Issue and risk | Recommendations |
|----|--|---|---|
| 1. |  (Amber) | As part of the examination of the IT control environment we have noted some deficiencies that have been reported as part of the main audit. As this report is on the same agenda, the issues have not been repeated, but they are equally applicable to the pension fund as it shares the same control environment. | Recommendations made on the main county audit in relation to the IT control environment to be actioned. |

Assessment

-  Significant deficiency – risk of significant misstatement (Red)
-  Deficiency – risk of inconsequential misstatement (Amber)

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.

Misclassifications 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.

| Adjustment type | Account balance | Impact on the financial statements |
|-------------------------------|--|--|
| 1 Disclosure | Level 3 Investments - £160.4m | As previously highlighted we have requested additional disclosure in relation to both estimation uncertainty and critical accounting judgements. Officers have made some additional disclosures in the final set of financial statements, however these could be further improved for greater compliance with the code. |
| 2 Presentation and disclosure | Various | <p>Our review of the accounts highlighted minor improvements that were required to be made to the accounts. None of these were individually significant and they have been made to improve the final presentation and aid clarity for the reader. The proposed minor adjustments were agreed with officers and changes have been made to the draft accounts submitted for audit.</p> <p>Examples included the need to include a date the accounts were authorised for issue, an amendment to the long term post retirement benefits highlighted in the related party transaction note and an update included to reflect the revised governance arrangements in place. This is in addition to the need to tidy up formatting and some punctuation prior to publication.</p> |
| 3 Disclosure | Note 2 – Actuarial valuation and Actuarial Present Value of Promised Retirement Benefits | Officers have chosen not to update this note, and instead reflect the position as of the last triennial valuation. While the Code does not explicitly state that this note should be updated, it is our view that it should be updated on an annual basis, as occurs in other similar funds. |
| 4 Disclosure | Note 14d Valuation of financial instruments carried at fair value. | The draft note doesn't agree with the disclosures as set out in the example accounts, and an amendment has been agreed to the loans and receivables line of the note to include £8m for cash held within the current account, plus a further £13.2m in current assets and £2.2m in non current assets. This would amend the line from £20m to £43.4m, which would be internally consistent with the other notes disclosed. |

Section 3: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

| | Proposed fee per Audit Plan £ | Actual fees £ |
|---|-------------------------------------|------------------|
| Pension fund scale fee | 24,963 | 24,963 |
| Agreed fee variation – IAS 19 | 1,193 | 1,193 |
| Total audit fees (excluding VAT) | 26,156 | 26,156 |

The proposed fee variation for IAS 19 above takes account of the work we are required to undertake for admitted bodies with the PSAA regime and is consistent with that requested in prior years.

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Fees for other services

| Service | Fees £ |
|-------------------------------|------------|
| Audit related services | Nil |
| Non-audit services | Nil |

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 Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 4: Communication of audit matters

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

| Our communication plan | Audit Plan | Audit Findings |
|--|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance | ✓ | |
| Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications | ✓ | |
| Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought | | ✓ |
| Confirmation of independence and objectivity | ✓ | ✓ |
| A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence | ✓ | ✓ |
| Material weaknesses in internal control identified during the audit | | ✓ |
| Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements | | ✓ |
| Non compliance with laws and regulations | | ✓ |
| Expected modifications to auditor's report | | ✓ |
| Uncorrected misstatements | | ✓ |
| Significant matters arising in connection with related parties | | ✓ |
| Significant matters in relation to going concern | | ✓ |

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

| Rec No. | Recommendation | Priority | Management response | Implementation date & responsibility |
|---------|---|----------|---------------------|--------------------------------------|
| 1 | Recommendations made on the main county audit in relation to IT control environment to be actioned. | Medium | | |

Appendix B: Audit opinion

We anticipate we will provide the Fund with an unmodified audit report or amend as appropriate

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORCESTERSHIRE COUNTY COUNCIL PENSION FUND

We have audited the pension fund financial statements of Worcestershire County Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Pension Fund Account, the Net Assets Statement and the related notes. 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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 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.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts 2015/16 to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund financial statements:

- present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the audited pension fund financial statements.

John Gregory
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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xx July 2016



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