Audit Findings

Year ending 31 March 2018

Worcestershire County Council Pension Fund

18 July 2018

Contents

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Headlines

Introduction

This table summarises the key issues arising from the statutory audit of Worcestershire County Council 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.

Financial Statements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • 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;	Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 15. We have not identified any adjustments to 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. Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 26 July 2018, as detailed in Appendix C. These outstanding items include: - Testing of journal transactions, - cash balances, - testing of contributions, - 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, and - review of the annual report

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 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; 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 and Governance Committee meeting on 26 July 2018, as detailed in Appendix E. These outstanding items include:

- Testing of journal transactions,
- cash balances,
- testing of contributions,
- 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, and
- review of the annual report

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 Worcestershire County Council Pension Fund.

	Amount	Qualitative factors considered
Materiality for the financial statements	£24.8m	Net assets provide measures of the scale of the organisation and are the primary determinant of the size of the organisation and so is considered to be the appropriate determinants of the benchmark to be used. We determined that using 1% of net assets was appropriate.
Performance materiality	£16.1m	On the basis that the Council have implemented a new general ledger system in the current financial year, and that there has been a change in the finance staff responsible for the preparation of the pension fund financial statements we have determined that 65% of materiality would be an appropriate level for performance materiality.
Trivial matters	£1.2m	This is based on 5% of materiality, which we consider to be an appropriate threshold to use in terms of our reporting to the Audit and Governance Committee as 'Those Charged with Governance'
Materiality for specific transactions, balances or disclosures	Related party transactions (5% of the largest disclosure)	While the significant proportion of this note relates to dealings with the administering authority, the key management personnel disclosure is included within this note. Due to the potential public interest in this note a lower level of materiality is considered appropriate.

Going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary

Management's assessment process

The Chief Financial Officer as s151 officer has a reasonable expectation that the Fund will continue for the foreseeable future. Members concur with this view. For this reason, the Fund continues to adopt the going concern basis in preparing the financial statements.

Management have confirmed that:

- no decision has been to wind up the Pension Fund and no events triggering wind up have occurred.
- they have taken into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue.
- no material uncertainties related to events or conditions that cast significant doubt upon the Pension Fund's ability to continue as a going concern exist that require disclosure.

Auditor commentary

Chapter 6 Section 3.4 of the CIPFA Code on the *"Presentation of Financial Statements for Pension Funds*" notes going concern as a particularly important reporting requirement and that para 3.4.2.23 of the Code applies. The CIPFA Code of Practice 2017/18 Code para 3.4.2.23 states "Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future".

For defined benefit schemes the Pension SORP 2015 gives further guidance (paragraph 3.29.6) in that even where a defined benefit scheme is significantly underfunded it should continue to be treated as a going concern for accounting purposes unless a decision has been made to wind up the scheme.

The LGPS is a statutory scheme which can only be wound up by government and the presumption in local government is that the going concern assumption does apply unless there is specific evidence to the contrary from factors such as an announcement to wind up the administering authority.

Management have not carried out a formal written assessment in respect of the going concern of the pension fund. However discussions with management have identified:

- The fund is a statutory pension provider and therefore cannot legally close.
- The actuary has set contribution rates for all employers up to 2019/20, which re-affirms that the fund intends to continue as a going concern.
- The fund also do daily monitoring of the cash position and this has been estimated going forward to cover the 12 months from the date of approval to the financial statements. This shows a positive cash balance is maintained throughout.

As such we consider that the preparation of accounts on a going concern basis is a reasonable and valid one and there are no indications of material uncertainty.

Going concern

Going concern commentary

Work performed	Auditor commentary
We have reviewed the : • pension fund's daily cash flow forecast • Actuary's sttment.	• Our audit did not identify any events or conditions which may cast significant doubt on going concern assumption. • As at the 2016 actuarial valuation, the fund was assessed as 75% funded. This corresponds to a deficit of £654m. • The aim is to achieve 100% solvency over a period of 18 years. • The cashflow forecast shows positive cash balance throughout the period.

Concluding comments	Auditor commentary
	We propose to issue an unmodified opinion for 2017/18.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	**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.	**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 Worcestershire County Council Pension Fund, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Worcestershire County Council Pension Fund.

2	**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
		• As part of our work in this area we have
		  • 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, and
		  • reviewed significant related party transactions outside the normal course of business
		One of the key areas where the reporting functions of the new financial system have created difficulties is in relation to journal entries. Fundamental to this test, is the ability of the finance team to demonstrate that the reports produced from the financial system are complete and have not been subject to manipulation. It has been necessary to consider a number of different ways to achieve this, with a solution found in mid July. As a result the audit team are yet to conclude their testing in this area, and members will be provided with a verbal update at the meeting.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
3	**The valuation of Level 3 investments is incorrect** 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. We identified the valuation of level 3 investments as a risk requiring special audit consideration.	**Auditor commentary** As part of our work in this area we have; • Gained an understanding of the Fund's process for valuing level 3 investments and evaluated the design of the associated controls; • 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; • considered the competence, expertise and objectivity of any management experts used; • 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; and • 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 agreeing these to the fund manager reports at that date. We have reconciled those values to the values at 31 March 2018 with reference to known movements in the intervening period. Our audit work has not identified any significant issues in relation to the risk identified.
4	**New Financial System implementation** The Council introduced a new financial system via an outsourced contract with Liberata in April 2017. This poses a risk to the Council for producing accurate and timely financial reporting and the production of the financial statements. We identified the implementation of the new financial system as a risk requiring special audit consideration.	**Auditor commentary** As part of our work in this area we have; • Reviewed the project plan for the system implementation and reviewed any problems with the implementation and how these have been resolved; • completed tests of data transfer to ensure the data has been transferred completely and accurately into the new financial system including opening balances; • reviewed the control accounts and bank reconciliations to ensure that appropriate financial control has been maintained throughout the period; and • reviewed the arrangements in place for financial reporting and the mechanism in place to produce the financial statements and working papers. Given the more 'contained' nature of the pension fund, and the reliance on information from third parties for a significant proportion of the data needed to produce the financial statements, the impact of the new financial system on the pension fund has not been as great as for the Council final statements. As for the County Council, there have been problems experienced with the reporting of the journal population, and there were delays in the completion of the bank reconciliations during the early part of the 2017/18 financial year. Detailed working papers were produced on the data migration, and testing of these has not identified any errors in relation to opening balances.

Reasonably possible audit risks

	Risks identified in our Audit Plan	Commentary
5	**Contributions** Contributions from employers and employees' represents a significant percentage (74%) of the Fund's revenue. We therefore identified occurrence of contributions as a risk requiring particular audit attention	**Auditor commentary** As part of our work in this area we have; • 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; and • 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 audit work to date has not identified any significant issues in relation to the risk identified, however we are yet to conclude our testing on the sample of contributions.
6	**Pension Benefits Payable** Pension benefits payable represents a significant percentage (85%) of the Fund's expenditure. We identified completeness of pension benefits payable as a risk requiring particular audit attention:	**Auditor commentary** As part of our work in this area we have; • **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; and • 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 audit work has not identified any significant issues in relation to the risk identified.

Reasonably possible audit risks

	Risks identified in our Audit Plan	Commentary
7	**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.	**Auditor commentary** As part of our work in this area we have; • gained an understanding of the Fund's process for valuing Level 2 investments and evaluated the design of the associated controls; • 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; • considered the competence, expertise and objectivity of any management experts used; • reviewed the qualifications of the expert to value the level 2 investments at year end and gained an understanding of how the valuation of these investment has been reached; and • for a sample of investments, tested the valuation by obtaining independent information from custodian/manager on units and unit prices. Our audit work has not identified any significant issues in relation to the risk identified.

Significant matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

	Significant matter	Commentary
1	Working papers	We appreciate that this has been a difficult year for the production of the pension fund financial statements. Not only has there been the change in the financial system ,but also a significant change in the officers responsible for producing the financial statements. While working papers were available for the start of the pension fund financial statements audit, in many areas these were difficult to follow, or lacked an explanation of the rationale used to produce the numbers within the statements. Members of the finance team have been responsive to queries and proactive in seeking solutions, however the volume of initial queries raised has had an impact on the work that the audit team has had to complete, and the amount of time taken to complete the audit. We will continue to support members of the finance team and share good practice to help them achieve the necessary improvements for future years.

Accounting policies

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	Because of the nature of the fund no significant accounting judgements have been made, with all judgements following the requirements set out in the Code. The Fund has a material balance of investments with significant unobservable inputs. The valuation of these investments is subject to varying degrees of estimation uncertainty. The Fund discloses the differing methods of valuation for these funds within the accounting policies. In each case the Fund choses to rely on the valuation provided by the fund manager.	The policies are considered appropriate under the accounting framework in place. Overall sufficient assurance has been provided by either the experts used for valuing the Fund, or we have been able to agree valuations to third party evidence.	● **(Green)**
Other critical policies	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.	We have reviewed the Pension Fund's policies against the requirements of the CIPFA Code of Practice. The Pension Fund's accounting policies are appropriate and consistent with previous years.	● (Green)

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
1	**Matters in relation to fraud**	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**	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**	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**	A standard letter of representation has been requested from the Pension Fund.
5	**Confirmation requests from third parties**	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. We are currently awaiting a small number of controls reports and bridging letters from fund manager, and officers are working to chase these as a matter of urgency.
6	**Disclosures**	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	**Significant difficulties**	We have not encountered any significant difficulties in the completion of our audit that we need to bring to your attention.
8	**Matters on which we report by exception**	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.

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

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 Pension Fund. No non-audit services were identified.

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	£24,963	TBC*
Total audit fees (excluding VAT)	**£24,963**	**TBC***

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

* The assumptions within the audit plan assumes that draft financial statements and working papers are provided at the agreed date in accordance with the agreed upon information required list. As previously highlighted we have needed to undertake additional work as a result of the challenges of the reporting from the new financial system, and as a result of the quality of the working papers initially provided. Work is still on-going in key areas, and therefore an accurate assessment of the overrun cannot be made at this date. We will agree the proposed fee variation with the Chief Financial Officer and submit for approval via PSAA before reporting the final fee in our Annual Audit Letter.

Non Audit Fees

Fees for other services	Fees
Audit related services:	
IAS 19 Assurance to other auditors	TBC (p/y £1,193)

The fee variation for IAS 19 takes account of the work we are required to undertake for admitted bodies with the PSAA regime and is expected to be 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), and is consistent with that reported in the financial statements for the 2017/18.

Action plan

We have identified two recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. 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
1	●	**Working papers** The introduction of the new financial system has created a number of challenges for the production of the pension fund financial statements for the current year. As a result there are a number of areas where working papers could be improved to demonstrate how the output from the ledger is translated into the financial statements. In addition, where information has been provided by third parties, for example, the custodian, there should be clear working papers to demonstrate how these reports link into the financial statements. Where appropriate, a brief narrative should be added to the working papers to demonstrate the rationale and any assumptions made. In key areas, the fund should be able to demonstrate that it understands the judgements made by third parties, and that there is appropriate evidence of challenge.	• A review of working papers should be undertaken to ensure they are fit for purpose. There should be clear evidence of appropriate quality assurance of the working papers. **Management response** • We fully agree and recognize the need to improve. A lessons learnt exercise will be undertaken and we will work with Grant Thornton to improve papers ahead of the 2018/19 closedown.
2	●	**Compliance with the Code** We have identified areas where the pension fund accounts are not in accordance with the Code. In some cases, because of the nature of these areas of non compliance we have agreed with officers that these improvements can be made in future years.	• A review of the accounts should be undertaken against the CIPFA example accounts, to ensure that the presentation and disclosure is in line with expectations. We have highlighted to officers that there are some notes and disclosures in the accounts currently produced which are no longer required,. There is scope to streamline the statements as a whole and remove the explanatory foreword and incorporate this with that currently produced for the County Council. **Management response** • Agreed. A review will be completed before 31st December 2018.

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

Audit Adjustments

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	Adjusted?
Presentation and disclosure	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. Examples included the need to include amend the number of fund manager in note 3 from thirteen to twelve to ensure consistency throughout the accounts, and the need to include a reference to the Local Government Pension Scheme (Management and Investment of Funds Regulations 2016). This is in addition to the need to tidy up formatting and some punctuation prior to publication.	✓
Accounting policies	The disclosure checklist has identified two missing accounting policies, one on accruals of expenditure, the other on contingent liabilities. The fund have agreed to amend for these in the final version of the financial statements.	✓
New standards not yet adopted	Disclosure around accounting standards issued not adopted in particularly, IFRS9 and IFRS15 have not been included. The Fund have done a high level review of the impact of these new standards and not identified a material issue. A note is being included in the final version of the statements to this effect.	✓
Contributions	The second table in note 5 shows the contributions by authority. The Council have provided a working paper which shows how the figures in the note have been arrived at. In agreement of the note there are differences. The changes made to the note are as follows: Worcestershire County Council is currently £77.6m but it should be £77.9m Scheduled Bodies is currently £92.1m but it should be £91.6m Community admission bodies currently is £6.3m but it should be £6.5m	✓

Audit opinion

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

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

Opinion
We have audited the pension fund financial statements of Worcestershire County Council (the 'Authority') for the year ended 31 March 2018 [set out on pages 115 to 178 which comprise 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 Financial 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 Financial 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 Financial Officer is responsible for the other information. The other information comprises the information included in the Annual Report and Statement of Accounts set out on pages 115 to 178 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 Annual Report and Statement of Accounts, 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 Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 25, 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 Financial Officer.

The Chief Financial 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 Financial 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 Financial 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 and Governance 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. This description forms part of our auditor's report.

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xx July 2018