

# The Audit Findings for Lewisham Council Pension Fund

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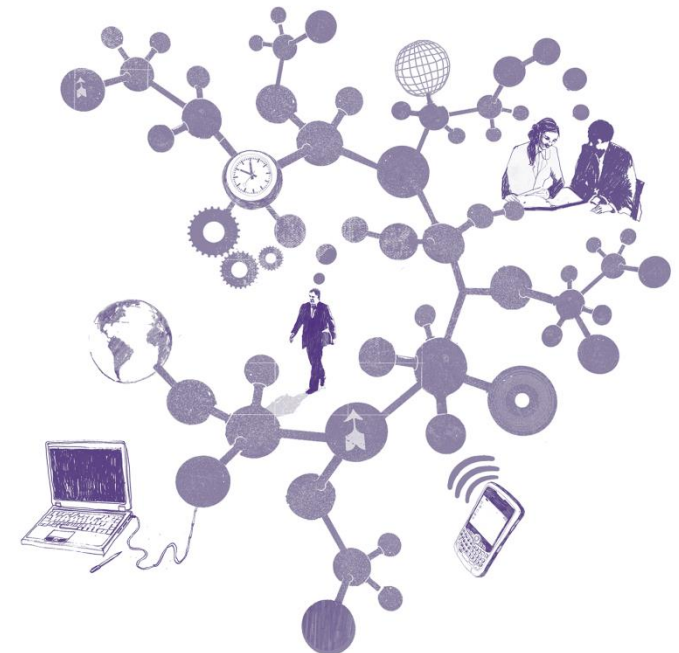
**Year ended 31 March 2017**

August 2017

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August 2017

Dear Members

### **Audit Findings for Lewisham Council Pension Fund for the year ending 31 March 2017**

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of in the case of Lewisham Pension Fund, it is the Audit Panel), to oversee the financial reporting process, 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 **will be** discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), 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

Darren Wells

**Engagement lead**

#### **Chartered Accountants**

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- Action plan
- Audit opinion

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# 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 the Lewisham Council Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 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.

## 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 March 2017.

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

- Review of the final version of the financial statements
- Obtaining and reviewing the management letter of representation and
- Updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements ahead of the submission deadline and carried out our audit in the last two weeks of June, as in our agreed timetable.

At the conclusion of our audit we will meet with management to discuss how further improvements and efficiencies could be made to next year's process.

## Key audit and financial reporting issues

### Financial statements opinion

We have not identified adjustments affecting the Fund's reported financial position. The draft financial statements for the year ended 31 March 2017 recorded net assets of £1,274,569k.

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

- We have worked with the Council to achieve an early audit sign-off. To this end, the Council submitted its accounts to us on **30 May 2017** ahead of the required statutory deadline and we carried out our audit in late June.
- The financial statements presented for audit were of a good quality overall and we did not identify any material adjustments.
- Working papers were provided at the start of the audit and management responded promptly to our audit queries. In some cases the working papers provided could not easily be reconciled to the financial statements, which led to a further work and follow up queries. As a consequence the audit took slightly longer to carry out than in previous years.
- We have identified a number of classification adjustments and amendments to improve the presentation of the financial statements.

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

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

## **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 Audit Panel.

### **Findings**

Our work has not identified any significant control weaknesses which we wish to highlight for your attention. Improvement points are highlighted in the controls section of this report.

### **The way forward**

Matters arising from the financial statements audit of the Fund have been discussed with the Head of Corporate Resources and the pension fund finance team.

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 Head of Corporate Resources and the pension fund 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 2017

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## 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 ISA (UK&I) 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 £10,414k (being 1% of net assets as at 31 March 2016). We have considered whether this level remained appropriate during the course of the audit and have used the same basis (being 1% of net assets as at 31 March 2017). Our overall materiality is therefore £12,746k.

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 £521k. 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 a separate materiality level was appropriate. This remains the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Cash	Material by nature	£500k

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)



# Audit findings against significant risks

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
<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;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 Lewisham 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"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Lewisham Council as the administering body, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Below is a summary of work performed:</p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Review of journal entry process</li> <li>• Review of unusual significant transactions</li> <li>• Selection of unusual journal entries for testing back to supporting documentation for months 1-12</li> </ul>	<p>Our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We did not identify, nor have been made aware of, any unusual significant transactions.</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

# 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
<p><b>Level 3 Investments (Valuation 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>	<ul style="list-style-type: none"> <li>• We have updated our understanding of your process for valuing Level 3 investments through discussions with relevant personnel from the Pension Fund during the interim audit.</li> <li>• We have tested valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date.</li> <li>• We 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> </ul>	<p>Our audit work has not identified any issues in relation to the valuation of Level 3 investments.</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 purchases and sales	Investment activity not valid. Investment valuation not correct	We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances ,	Our audit work has not identified any issues in relation to this risk.
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified
<b>Contributions</b>	Recorded contributions not correct. (Occurrence)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>We have tested controls testing over, completeness, accuracy and occurrence of contributions.</li> <li>We have rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

## Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Benefits payable</b>	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"> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• Tested a sample of individual pensions in payment by reference to member files.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified
<b>Member Data</b>	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"> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• Sample tested starters, leavers and changes to member data made during the year to source documentation</li> <li>• Rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified

### Going concern

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&I) 570).

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and we concur with management’s judgement that it is appropriate to prepare the accounts on a going concern basis.

# 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
<b>Revenue recognition</b>	The Council's policy for Contribution income is set out in note 6: Contributions Receivable	We conclude your revenue recognition policy appears to be consistent with our audit of the Pension Fund financial statements and we had no concerns over the Council's treatment of revenue.	● (Green)
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>Valuation of level 3 investments</li> <li>Valuation of fund</li> </ul> </li> </ul>	<p>We reviewed your key estimates and judgements made by management within the material notes to the accounts. For the disclosures listed, we concluded they appear to be consistent in all material aspects with the guidance set out in the Code of Practice of Local Authority Accounting 2016/17.</p> <p>Your valuations are all based on reports from expert fund managers and we had no concerns over the methods of estimation used.</p>	● (Green)
<b>Going concern</b>	The Officers have a reasonable expectation that the Fund will continue for the foreseeable future. Members concur with this view. For this reason, the Fund continue to adopt the going concern basis in preparing the financial statements.	We are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	● (Green)
<b>Other accounting policies</b>	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	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.	● (Green)

## 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.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Panel. We have not been made aware of any other incidents in the period that are material to the accounts and no other issues have been identified during the course of our audit procedures</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<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>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Fund.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests in respect of cash and investments. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>We highlighted a number of amendments to disclosures which the Council has agreed to make in the revised financial statements. Amendments that are not trivial are highlighted on page 16 of this report.</li> </ul>
7.	<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 2017 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>

## Internal controls

We considered and walked through the internal controls for the main cycles including Contributions, Benefits Payable, and Member Data as set out on pages 10-13 above.

The controls were found to be operating effectively. Based on our work last year, management have introduced an additional manual authorisation for the authorisation of payments of pension lump sums. We specifically tested the operation of this control and found that it was operating as expected.

In our testing of new joiners we noted one case where there was a month's difference between the start dates in the pensions and payroll systems. The Council identified this error and the individual paid two months contributions in their second month.

We also noted that the Council's coding system does not identify benefit payments by type of organisation, and that therefore it is difficult for the Council to provide the breakdown and detail of benefits payments specified by the Code.

We have no other matters to report to the Audit Panel

## Adjusted misstatements

We did not identify any amendments affecting the net assets statement or the fund account.

## Unadjusted misstatements

We did not identify any misstatements which the Council has declined to amend. Nor were there any uncorrected misstatements in the prior year.

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

Our audit included consideration of internal control 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.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

## 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	Value £'000	Account balance	Impact on the financial statements
1	Disclosure	n/a	Note 2	Benefits payable are disclosed on the face of the Fund Account as well as in Note 2. The disclosure in Note 2 is not in line with the CIPFA Pension Fund example accounts as it does not separately disclose lump sums and benefits for scheduled and admitted bodies.
2	Classification	3,453 and 61	Note 5a	<p>Upon receiving updated workings for this note, four classification changes have been noted as required to note 5a:</p> <ol style="list-style-type: none"> <li>1) Pending trades (assets line) to amended from NIL to £2,700k</li> <li>2) Dividends and Income to amend from (336k) to £418k</li> <li>3) Pending trades (liabilities line) to amend from NIL to £(3,453k)</li> <li>4) Other current liabilities to amend from (£537k) to (£475k)</li> </ol>
3	Disclosure	509	Note 5b	Several amendments required to the market price table. Transposition errors of other assets and property. The percentage change in market value should be 7.2 per cent. Applying these changes to total assets amends the "value on decrease" figure from £1,180,019k to £1,179,510k, when this is applied to the correct model.



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## 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

### Fees

	Per Audit Plan £	Actual fees £
Pension fund scale fee	21,000	21,000
<b>Total audit fees (excluding VAT)</b>	<b>21,000</b>	<b>21,000</b>

### 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 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.
- There are no non-audit or audited related services have been undertaken for the Fund

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## 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

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.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, 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.

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, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

# A. Action plan

## Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1.	Review the format of disclosures in the accounts for consistency with the Code and model accounts, particularly with respect to benefit payments.	Medium		
2.	Review working papers and ensure they can be clearly reconciled to the pension fund accounts.	Medium		
3.	As part of the contribution reconciliation, follow up cases where a new joiner has not contributed so that the correct start-date can then followed through and updated accordingly in the pensions system Altair.	Low		
4.	Review the ledge coding structure for pensions benefit payments so that the Council is able to extract the information required for for benefits disclosures.	Low		

## Controls

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

# Appendix B: Audit opinion

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEWISHAM PENSION FUND**

We have audited the pension fund financial statements of Lewisham Pension Fund (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the 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 2016/17.

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 Executive Director for Resources and Regeneration and auditor**

As explained more fully in the Statement of Responsibilities, the Executive Director for Resources and Regeneration 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 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 Executive Director for Resources and Regeneration; 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 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 2017 and of the amount and disposition at that date of the fund's assets and liabilities; and
- the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

Darren Wells  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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RH10 1HS

September 2017



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