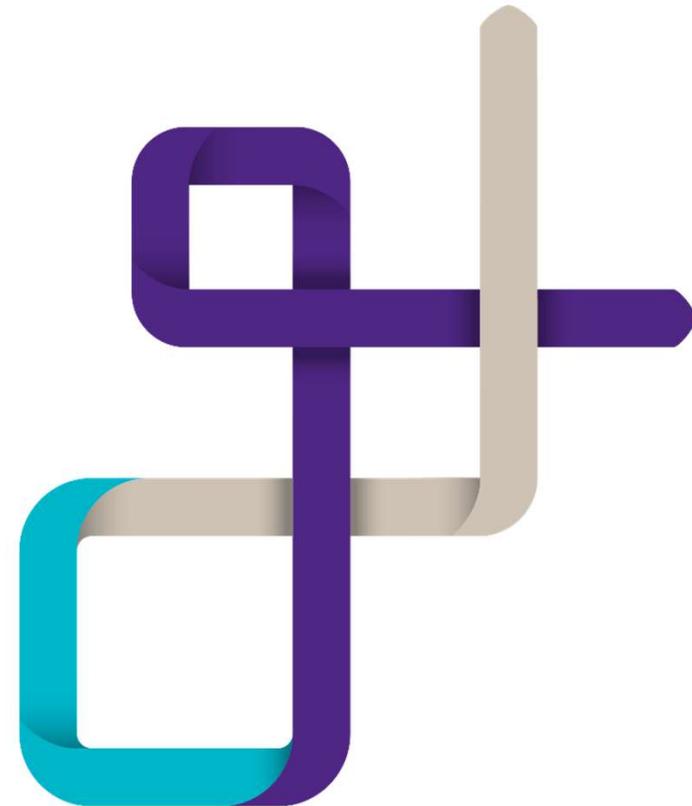


# Audit Findings

*Year ending 31 March 2018*

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Cumbria Local Government Pension Scheme  
27 July 2018



# Contents



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

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# Headlines

## Introduction

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

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<b>Financial Statements</b>	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion the Pension Scheme's financial statements give a true and fair view of the financial position of the Pension Scheme 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 2018. Our findings are summarised in Appendix B on page 13. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Scheme's reported financial position.  Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Assurance Committee meeting to be held on 27 July 2018, as detailed in Appendix D on page 15 . These outstanding items include: <ul style="list-style-type: none"><li>• receipt of the management representation letter</li><li>• finalising our work on journals, financial instruments, investment income, member data and the annual report</li><li>• review of the final set of financial statements</li><li>• updating our post balance sheet events review, to the date of signing the opinion.</li></ul>
<b>IAS19 Work Requested by Other auditors</b>	Cumbria Local Government Pension Scheme provides certain information to the scheme actuary on which scheduled and admitted bodies rely on in preparing their accounting statements.  Auditors of admitted and scheduled bodies request us, as scheme auditor, to carry out a programme of work to provide some assurances over the accuracy and completeness of the information provided to the actuary for this purpose.	A number of scheduled and admitted bodies opted to re-run their IAS19 figures based on 'actual' cash flows and investment returns in May 2018. We identified that the member numbers submitted to the actuary to support the production of 're-run' IAS19 figures were incorrect. The actuary subsequently confirmed that the member numbers submitted did not have an impact on the IAS19 accounting figures produced.  We also identified that the cash flow data submitted for the re-run for one scheduled body was incomplete. This resulted in the scheduled body having to re-run its IAS19 figures in July 2018.

We have made a recommendation in relation to these issues in Appendix A on page 12.

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## Acknowledgements

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

# Summary

## Overview of the scope of our audit

This Audit Findings report 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 will be discussed with management and presented to the Audit and Assurance committee.

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 Scheme's business and is risk based, and in particular included:

- An evaluation of the Pension Scheme's internal controls environment, including its IT systems and controls
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

## Conclusion

The Accounts have been produced to a very high standard and the finance team have produced good working papers and have also been responsive to our audit queries. A good achievement, especially in the context of a complex set of statements, and the shorter closedown period and tighter statutory deadlines.

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 Assurance Committee meeting on 27 July 2018, as detailed in Appendix E. These outstanding items include:

- receipt of the management representation letter
- finalising our work on journals, financial instruments, investment income, member data and the annual report
- review of the final set of financial statements
- updating our post balance sheet events review, to the date of signing the opinion.

## 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.

Our materiality calculation remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for Cumbria Local Government Pension Scheme.

### Amount (£)

Materiality for the financial statements	26,027,000 (1% Net Assets as at 31 <sup>st</sup> December 2017)
Performance materiality	19,520,000 (75% of materiality)
Trivial matters	1,301,000 (5% materiality)

# 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).

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## Going concern commentary

### Management's assessment process

The Pension Scheme has reviewed their going concern position and has concluded that it is appropriate to produce their accounts on a going concern basis and no material uncertainties exists. They have considered the Schemes funding position and any communications with the relevant Department and Secretary of State.

### Work performed

Detail audit work performed on management's assessment

### Concluding comments

The Pension Scheme's use of the going concern basis of accounting is appropriate.

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## Auditor commentary

- The Pension Scheme's use of the going concern basis of accounting is appropriate.
  - The Pension Scheme's assessment of going concern was communicated to us on 25<sup>th</sup> May 2018 in the Response from the Audit and Assurance Committee Chair of Cumbria County Council.
  - The Scheme has sufficient assets to meet liabilities as they fall due. The last triennial valuation, as at 31 March 2016 reports a funding level of 91%.
- 
- No material uncertainty identified.
  - Sufficient assets to meet liabilities as they fall due. The last triennial valuation, as at 31 March 2016 reports a funding level of 91%.
  - The Pension Scheme continues to operate as usual with contributions and investment income being received and benefits being paid.
- 
- Our opinion is unmodified in respect of the going concern conclusion.

# Significant audit risks

Risks identified in our Audit Plan	Commentary
<p><b>1 Improper revenue recognition</b> Under ISA 240 (UK) 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><b>We have:</b></p> <p>considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Scheme, and 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</li> <li>• the culture and ethical frameworks of local authorities, including Cumbria County Council as the Administering Authority of Cumbria Local Government Pension Scheme, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore we do not consider this to be a significant risk for Cumbria Local Government Pension Scheme.</p>
<p><b>2 Management override of controls</b> 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.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p><b>We have:</b></p> <ul style="list-style-type: none"> <li>• gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness</li> <li>• obtained a full listing of journal entries and identified unusual journal entries for appropriateness. Testing to be completed in week commencing 16<sup>th</sup> July.</li> <li>• evaluated the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul> <p>We have not identified any issues which require reporting through our work on management override of controls.</p>
<p><b>3 The valuation of Level 3 investments is incorrect</b> Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>We identified the valuation of level 3 investments as a risk requiring special audit consideration.</p>	<p><b>We have:</b></p> <ul style="list-style-type: none"> <li>• gained an understanding of the Scheme's process for valuing level 3 investments and evaluated the design of the associated controls</li> <li>• reviewed the nature and basis of estimated values and considered what assurance management has over the year-end valuations provided for these types of investments</li> <li>• considered the competence, expertise and objectivity of level 3 investment managers as experts. Reviewed the qualifications of the fund managers to value Level 3 investments at year-end and gained an understanding of how the valuation of these investments has been reached</li> <li>• tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreed these to the scheme manager reports at that date. Reconciled to the values at 31 March 2018 with reference to known movements in the intervening period.</li> </ul> <p>We have not identified any issues which require reporting through our work on level 3 investments.</p>

# Reasonably possible audit risks

## Risks identified in our Audit Plan

## Commentary

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### Contributions

Contributions from employers and employees' represents a significant percentage (63%) of the Scheme's in coming cash-flow.

We therefore identified completeness, accuracy and occurrence of contributions as a risk requiring particular audit attention.

### We have:

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

We have not identified any issues which require reporting through our work on contributions.

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### Pension Benefits Payable

Pension benefits payable represents a significant percentage at 83% of the Scheme's expenditure.

We identified completeness, accuracy and occurrence of pension benefits payable as a risk requiring particular audit attention.

### We have:

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

We have not identified any issues which require reporting through our work on pension benefits payable.

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### 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.

### We have:

- gained an understanding of the Scheme'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
- reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Scheme's own records and sought explanations for variances.

We have not identified any issues which require reporting through our work on level 2 investments.

# 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 Significant events or transactions that occurred during the year	<ul style="list-style-type: none"> <li>In April 2017, Cumbria County Council, Allerdale Borough Council, Carlisle City Council, Copeland District Council, South Lakeland District Council and the Lake District National Park Authority all paid additional lump sum contributions to offset their historic deficit contribution for the years 2017/18 to 2019/20. The scheme has accounted for these in full in the fund account. We agreed that this treatment was appropriate.</li> <li>During the 2017/18 year, the fund agreed an 'equity protection' overlay solution with Legal and General Investment Management. This was implemented in April 2018 and the only impact seen in the 2017/18 accounts was the moving of some assets within the funds Legal and General Policy 2 holding in readiness for the transfer. This is shown in note 10 (f) as 'Policy 2 Legal and General Bespoke Equity Protection'.</li> <li>As at 31/3/2018 the fund had not transitioned any of its assets to Border to Coast Pensions Partnership Ltd. Investment opportunities relevant to Cumbria LGPS are expected to be available from Q3 of 2018/19.</li> </ul>
2 Business conditions affecting the Pension Scheme, and business plans and strategies that may affect the risks of material misstatement	No issues to report.
3 Concerns about management's consultations with other accountants on accounting or auditing matters	No issues to report.
4 Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services	We were re-appointed as auditors of Cumbria Local Government Pension Scheme for five years from 2018/19. We issued our fee letters for 2018/19 on the 19 <sup>th</sup> April 2018 and presented them to the Audit and Assurance Committee on 29th June 2018.
5 Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	No issues to report.
6 Other matters that are significant to the oversight of the financial reporting process	No issues to report.

# Accounting policies

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>Contribution income: normal contributions for both employees and employers and bulk transfers are accounted for on an accruals basis.</li> <li>Individual transfers to the scheme are recognised on a receipts basis.</li> <li>Investment Income: the Scheme adopts several different recognition approaches dependent on the types of investment as disclosed within the financial statements.</li> </ul>	<p>The revenue recognition policy is consistent with the prior period, meet the requirements of the Code of Practice on Local Authority Accounting and is in line with the example financial statements.</p> <p>There is limited judgment involved in revenue recognition as a result of:</p> <ul style="list-style-type: none"> <li>contributions rates are known in advance via the triennial valuation of the scheme;</li> <li>investment income following market trends and is overseen by the Custodian and transfers are subject to defined actuarial calculations; and</li> <li>there being agreement between the bodies.</li> </ul> <p>Our testing has not identified any inappropriate revenue recognition.</p>	<p>● (Green)</p>
<b>Judgements and estimates</b>	<p>Key estimates and judgements include;</p> <ul style="list-style-type: none"> <li>pension scheme valuations and settlements</li> <li>investment valuation</li> <li>provisions.</li> </ul>	<p>Policies are consistent with the prior period, meet the requirements of the Code of Practice on Local Authority Accounting and are in line with the CIPFA example financial statements.</p> <p>Judgements are made regarding the present value of promised retirement benefits, the fair value of investments and the ability of debtors to pay. The Scheme employs an independent actuary, valuer and custodian and uses previous experience of debt recovery to inform judgements made.</p> <p>We have confirmed that the work of the actuary is in line with professional standards and regulation, and that they are a reliable source of estimation relating to the pension scheme liabilities.</p>	<p>● (Green)</p>
<b>Other critical policies</b>		<p>We have reviewed the Pension Scheme's policies against the requirements of the CIPFA Code of Practice. The Pension Scheme's accounting policies are appropriate and consistent with previous years.</p>	<p>● (Green)</p>

## 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 <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 and Assurance Committee. We have not been made aware of any significant incidents in the period 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>We are not aware of any related parties or 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 Pension Scheme.</li> </ul>
⑤ <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We obtained direct confirmations from all external scheme managers and custodian for investment balances and requested management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. All requests were returned with positive confirmation.</li> </ul>
⑥ <b>Disclosures</b>	<p>Our review found no material omissions in the financial statements. Minor adjustments were identified and amended by management to enhance existing disclosures as outlined below.</p> <ul style="list-style-type: none"> <li>An additional table was added into Note 23 Actuarial Position of the fund to show the relationship of the Fund's promised retirement benefits in compliance with IAS26 and on the basis of IAS19 to its net assets as at 31/3/18.</li> <li>Employers of the Scheme as at 31 March 2018 was disclosed as 128 in the draft accounts. Our audit work identified that one employer had been counted twice and that the actual number of employers in the scheme was 127.</li> <li>A small number of minor changes have been made to the wording and presentation of disclosure notes throughout the Financial Statements to improve their clarity and consistency.</li> </ul>
⑦ <b>Significant difficulties</b>	<ul style="list-style-type: none"> <li>No significant difficulties were encountered during the course of our audit.</li> </ul>
⑧ <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 Scheme Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Schemes Annual Report by the 31 July 2018.</li> </ul>

# Independence and ethics

## **Independence and ethics**

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

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 C.

## **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 Scheme. No non-audit services were identified or provided in 2017/18.

# Action plan

There are no recommendations from the 2016/17 audit that required follow up in the 2017/18 audit. We have identified two recommendations for the Pension Scheme as a result of issues identified during the course of our IAS 19 assurance to other auditors work. 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	<p data-bbox="212 531 1106 751">  Cumbria Local Government Pension Scheme provides certain information to the scheme actuary on which scheduled and admitted bodies rely on in preparing their accounting statements. Auditors of admitted and scheduled bodies request us, as scheme auditor, to carry out a programme of work to provide some assurances over the accuracy and completeness of the information provided to the actuary for this purpose.</p> <p data-bbox="349 767 1106 1107">           A number of scheduled and admitted bodies opted to re-run their IAS19 figures based on 'actual' cash flows and investment returns in May 2018. We identified that the member numbers submitted by the scheme to the actuary to support the production of 're-run' IAS19 figures were incorrect. The actuary subsequently confirmed that the member numbers submitted did not have an impact on the IAS19 accounting figures produced. The errors referenced were identified by the audit team reviewing movements between figures submitted for the re-run in March 2018, figures submitted for the initial run in February 2018 and figures submitted for 2016/17.</p> <p data-bbox="349 1123 1106 1214">           We also identified that, the cash flow data submitted for the re-run for one scheduled body was incomplete. This resulted in the scheduled body having to re-run its IAS19 figures in July 2018</p>	<ul data-bbox="1144 531 2152 655" style="list-style-type: none"> <li>• Complete a reasonableness check of all information prior to its submission to the actuary for the production of IAS19 accounting figures.</li> <li>• Ensure that scheduled and admitted bodies formally sign off information submitted to the actuary both for the initial and any re-run of IAS19 accounting figures.</li> </ul> <p data-bbox="1144 671 1424 695"><b>Management response</b></p> <p data-bbox="1144 746 2152 837">The process for collating information for IAS19 calculations (including re-runs) has been reviewed and a number of additional procedures will be introduced to mitigate the risk of similar errors occurring in the future. These include:</p> <ul data-bbox="1144 874 2152 1118" style="list-style-type: none"> <li>• A review of membership numbers and payroll data will be undertaken before each IAS19 run with a separate manual check being undertaken where the figures differ by more than 20% from the previous year; and</li> <li>• A manual check of all re-run IAS19 calculations to ensure that these reconcile to data submissions signed off by employers. If any changes are proposed to the data submissions already signed off by employers, these will be brought to the employer's attention and we further sign-off required prior to their being submitted to the scheme actuary.</li> </ul> <p data-bbox="1144 1155 2152 1244">It should be noted that, whilst employers are required to include the IAS19 valuation of their Pension Fund assets and liabilities within their balance sheet, these do not affect the contributions payable by the employer to the Pension Fund.</p>

## Controls

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

# Audit Adjustments

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

## Impact of adjusted misstatements

There are no such adjusted misstatements.

## Misclassification and disclosure changes

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

Disclosure omission	Detail	Adjusted?
<b>Note 23 Actuarial Position of the Fund</b>	An additional table was added into Note 23 Actuarial Position of the Fund to show the relationship of the Fund's promised retirement benefits in compliance with IAS26 and on the basis of IAS19 to its net assets as at 31/3/18. The total value of the Fund's promised retirement benefits in compliance with IAS26 and on the basis of IAS19 (£3.245m) was included in the actuary's statement in the draft accounts. The table was added to the final version of the accounts to enhance the readability of the note and demonstrate the difference in net liability between the valuation basis (£55m) and the IAS19 methodology (£682m). Additional narrative was also added to this note to explain why the calculation of the liabilities in compliance with IAS 19 is different to the valuation basis.	✓
<b>Note 25 Participating Employers of the Fund</b>	Employers of the Fund as at 31 March 2018 was disclosed as 128 in the draft accounts. Our audit work identified that one employer had been counted twice and that the actual number of employers in the Fund was 127.	✓
<b>Presentation and consistency</b>	A small number of minor changes have been made to the wording and presentation of disclosure notes throughout the Financial Statements to improve their clarity and consistency.	✓

## Impact of unadjusted misstatements

There are no such unadjusted misstatements.

## Impact of prior year unadjusted misstatements

There were no prior year unadjusted misstatements.

# Fees

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

## Audit Fees

	Proposed fee	Final fee
Pension Scheme Audit	£24,620	£24,620
<b>Total audit fees (excluding VAT)</b>	<b>£24,620</b>	<b>£24,620</b>

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

## Non Audit Fees

Fees for other services	Fees
<b>Audit related services:</b>	
IAS 19 Assurance to other auditors (£2,040 as reported in our audit plan and an additional £452 to reflect 2 additional requests from other auditors received in June 2018 and an additional £1,450 to cover the additional time taken to complete the IAS 19 work as a result of the errors found as outlined on page 12).	£3,942
<b>Total Non Audit Fees</b>	<b>£3,942</b>

The audit related fees for the year are still subject to approval by Public Sector Audit Appointments Ltd (PSAA).

# Audit opinion Draft proposed audit opinion on the financial statements

**We anticipate we will provide the Pension Scheme with an unmodified audit report.**

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

### Opinion

We have audited the pension scheme financial statements of Cumbria County Council (the 'Authority') for the year ended 31 March 2018 set out on pages 172 to 234 which 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 2017/18.

In our opinion the pension scheme financial statements:

- give a true and fair view of the financial transactions of the pension scheme 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 scheme of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension scheme 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 Director of Finance's use of the going concern basis of accounting in the preparation of the pension scheme financial statements is not appropriate; or
- the Director of Finance has not disclosed in the pension schemes 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 scheme financial statements are authorised for issue.

## Other information

The Director of Finance is responsible for the other information. The other information comprises the Pension Scheme Annual Report and information included in the Cumbria County Council Statement of Accounts and Annual Governance Statement, other than the Cumbria Local Government Pension Scheme Financial Statement, our auditor's report thereon and our auditor's report on the Administering Authority's financial statements. Our opinion on the pension scheme 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 scheme 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 scheme financial statements or our knowledge of the pension scheme 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 scheme 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.

# Audit opinion

## **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 scheme financial statements the other information published together with the pension scheme financial statements in the Pension Scheme Annual Report, the Cumbria County Council Statement of Accounts and the Cumbria County Council Annual Governance Statement for the financial year for which the pension scheme financial statements are prepared is consistent with the pension scheme 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 Director of Finance and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 21 to 22, 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 Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the pension scheme 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 Director of Finance 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 scheme financial statements, the Director of Finance is responsible for assessing the pension scheme'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 Assurance 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 scheme 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 scheme financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Gareth Kelly  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP  
110 Queen Street  
GLASGOW  
G1 3BX

Date to be provided

# Audit opinion Draft proposed audit opinion on the annual report

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

## Independent auditor's report to the members of Cumbria County Council on the consistency of the pension scheme financial statements included in the Pension Scheme Annual Report

### Opinion

The pension scheme financial statements of Cumbria County Council (the "Authority") for the year ended 31 March 2018 which comprise the Fund Account, the Net assets statement and the related noted of Cumbria Local Government Pension Scheme are derived from the audited pension scheme financial statements for the year ended 31 March 2018 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension scheme financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18 and applicable law.

### Pension Scheme Annual Report - Pension scheme financial statements

The Pension Scheme Annual Report and the pension scheme financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension scheme financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(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 work has been undertaken so that we might state to the members of the Authority 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.

## The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension scheme financial statements in the Statement of Accounts in our report dated 27 July 2018.

### Director Finance's responsibilities for the pension scheme financial statements in the Pension Scheme Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer of the Authority is responsible for the preparation of the pension scheme financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension scheme financial statements in both the Statement of Accounts and the Pension Scheme Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

### Auditor's responsibility

Our responsibility is to express an opinion on whether the pension scheme financial statements in the Pension Scheme Annual Report are consistent, in all material respects, with the audited pension scheme financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Gareth Kelly

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

110 Queen Street  
Glasgow  
G1 3 BX

Date to be provided



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