

The Audit Findings Report for Cumbria Local Government Pension Scheme

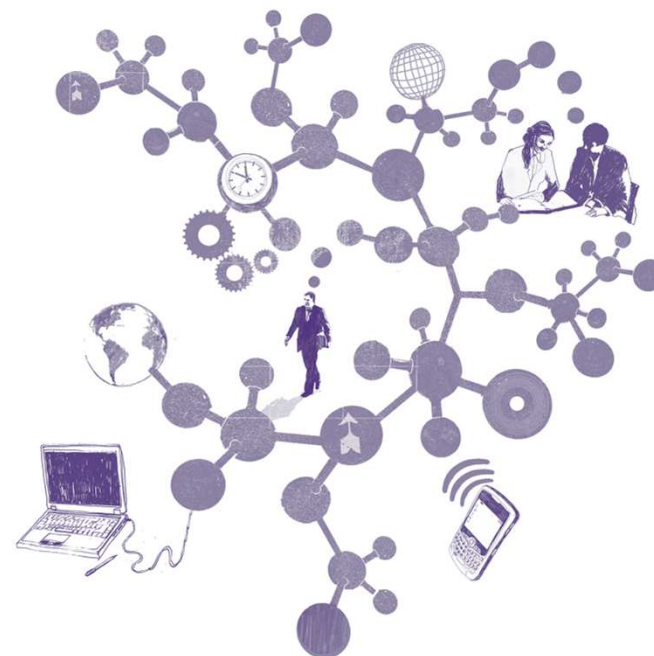
Year ended 31 March 2013

September 2013

Jackie Bellard
Director
T +44 (0)161 234 6394
E jackie.bellard@uk.gt.com

Gareth Kelly
Senior Manager
T +44 (0)141 223 0891
E gareth.kelly@uk.gt.com

Lee Illingworth
Associate
T +44 (0)141 223 0892
E lee.illingworth@uk.gt.com



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.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	6
3. Fees, non audit services and independence	14
4. Communication of audit matters	16

Appendices

- A Action plan
- B Audit opinions

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

We plan to give an unqualified opinion on the financial statements with no material errors identified. We are pleased to report the Pension Fund has produced high quality financial statements for 2012/13, in terms of compliance with the CIPFA Code of Practice.

Executive summary

Purpose of this report

This report highlights the key issues arising from the audit of Cumbria Local Government Pension Scheme's ('the Fund') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260.

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Fund's financial statements present a true and fair view of the financial position, the financial transactions of the fund during the year and that they have been properly prepared in accordance with the Code of Practice on Local Authority Accounting.

Introduction

In the conduct of our audit we have not had to alter or change our audit plan, which we communicated to you in our Audit Plan dated 18 June 2013.

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

- review of member data reconciliations
- 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.

We received draft financial statements and accompanying working papers at the start of our audit, in advance of the statutory 30 June 2013 deadline.

The financial statements have been produced to a high quality standard in terms of compliance with the CIPFA Code.

Key audit and financial reporting issues

Financial statements opinion

We have not identified any errors which require adjustment and affect the funds financial or net asset positions. We have identified a small number of minor errors and the Fund has made the appropriate adjustments to improve the presentation of the financial statements.

We anticipate providing an unmodified opinion on the Fund's financial statements.

The key message to conclude our audit of the Fund's financial statements is on the need to resolve the member data cleansing exercise in advance of the introduction of the Career Average Revalued Earnings scheme from 1 April 2014.

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
September 2013

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

We have not identified any errors requiring adjustment or affecting the Fund's reported financial or net asset positions.

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Assurance Committee on 18 June 2013. We also set out that no adjustments to the financial statements from our audit work are required and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 18 June 2013.

Audit opinion

We anticipate that we will provide the Fund with an unmodified opinion. Our audit opinion for inclusion within the Pension Fund Annual Report is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	Improper revenue recognition Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	We have rebutted this presumption and therefore do not consider this to be a significant risk for Cumbria Local Government Pension Scheme since: <ul style="list-style-type: none"> • The nature of the pension fund's revenue is in many respects relatively predictable and does not generally involve cash transactions. • The split of responsibilities between the Pension Fund, its fund managers and the custodian, provides a very strong separation of duties reducing the risk around investment income. • Revenue contributions are made by direct salary deductions and direct bank transfers from admitted bodies and are supported by separately sent schedules and are directly attributable to gross pay making any improper recognition unlikely. • Group/ bulk transfers into the scheme are all supported by an independent actuarial valuation of the amount which should be transferred and which is subject to agreement between the transferring and receiving funds Other related revenue recognition audit work, included: <ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	Our rebuttal presumption and other audit related work has not identified any issues in respect of revenue recognition.
2.	Management override of controls Under ISA 240 there is a presumed risk of management over-ride of controls	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journals entries • review of unusual significant transactions 	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.




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
Investments	Investments not valid Investments activity not valid Fair value measurement not correct	<ul style="list-style-type: none"> We reviewed the reconciliation between information provided by the fund managers, the custodian and the pension fund's own records and received satisfactory explanations for any variances. We selected a sample of the individual investments held by the Scheme at the year end and then tested the valuation of the sample by agreeing prices to third party sources where published (quoted investments) or by critically assessing the assumptions used in the valuation (unquoted investments and direct property investments). The existence of investments was confirmed directly with independent custodians, independent valuation or by agreement to legal documentation. We reviewed the latest controls assurance reports for each fund manager and custodian. We obtain independent confirmation of valuation of property investments. We tested a sample of sales and disposals during the year back to detailed information provided by the custodian and fund managers. 	Our audit work has not identified any significant issues in relation to the risk identified.
Benefit Payments	Benefits improperly computed/claims liability understated	<ul style="list-style-type: none"> We tested a sample of individual transfers, pensions in payment (new and existing), lump sum benefits and refunds which are tested by reference to the member files. This testing found that all the appropriate documentation was correctly filed and internal control procedures operated by Cumbria Pension Fund had been followed. We rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year together with comparing pensions paid on a monthly basis and we sought and received satisfactory explanations for any unusual trends. The movements on membership statistics was also compared to transactions in the accounting records. 	<p>Our audit work has not identified any significant issues in relation to the risk identified with exception of member data.</p> <p>See the member data issues highlighted under the Internal Control section.</p>
Contributions	Recorded contributions not correct	<ul style="list-style-type: none"> We tested the controls the Pension Fund operates to ensure that it receives all expected contributions from member bodies, to ensure these controls are operating effectively. We rationalised contributions received with reference to changes in member body payrolls and numbers of contributing members and we sought and received satisfactory explanations for any unusual items. 	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Contribution Income: normal contributions for both employee and employers and bulk transfers are accounted for on an accruals basis Individual transfers to the scheme are recognised on a receipts basis Investment Income: The Fund adopts several different recognition approaches dependent on the types of investment as disclosed within the statements. 	<ul style="list-style-type: none"> Policy is consistent with the prior period, meets the requirements of the Code of Practice on Local Authority Accounting and is in line with the CIPFA's disclosure checklist and example accounts. There is limited judgement involved in revenue recognition: as a result of: <ul style="list-style-type: none"> contributions rates are known in advance via the triennial valuation of the scheme investment income following market trends and is overseen by the Custodian and transfers are subject to defined actuarial calculations there being agreement between the bodies. Our testing has not identified any inappropriate revenue recognition. 	 Green Accounting policy appropriate and disclosures sufficient
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> pension fund valuations and settlements investment valuation Provisions. 	<ul style="list-style-type: none"> 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 Disclosure checklist requirements and example accounts. Judgements are made regarding the present value of promised retirement benefits, the fair value of investments and the ability of debtors to pay. The fund employs an independent actuary, valuer and custodian and uses previous experience of debt recovery to inform judgements made The valuation of the Fund's investment portfolio has been substantively tested to gain assurance that it is not materially misstated 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 fund liabilities. 	 Green Accounting policy appropriate and disclosures sufficient
Other accounting policies	<ul style="list-style-type: none"> The Fund's accounting policies are in accordance with the requirements of the Code of Practice on Local Authority Accounting. 	<ul style="list-style-type: none"> We have reviewed the Fund's policies against the requirements of the Code of Practice on Local Authority Accounting and the example accounts issued by CIPFA and do not have any comments to make. 	 Green Accounting policy appropriate and disclosures sufficient

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

Adjusted misstatements

No material or non adjustments to the draft financial statements have been identified during the audit process.

Misclassifications & disclosure changes


There are no significant misclassification and disclosure changes identified during the audit.

Unadjusted misstatements

As there have been no errors identified during the audit that require adjustment it follows that there are no unadjusted misstatements.

Internal control

- The purpose of an audit is 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 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.
- This recommendation and one other recommendation, together with management responses, are included in the action plan attached at appendix A.

	Assessment	Issue and risk	Findings and Recommendations
1	 <p>Deficiency – risk of inconsequential misstatement</p>	<ul style="list-style-type: none"> • Movement in active members is not in line with our expectations, increasing by 1,200 year on year. Our expectation would be that member numbers would show an increase of circa 300 for the transfer back in of Highways and IT Agilysis staff but no other significant changes or if anything some reduction. • Enquiries made of the Pension Fund Administrator Your Pension Service (YPS) has identified that the majority of this increase is due to an on-going member data cleansing exercise to ensure that those staff who have multiple contracts have an individual pension record for each contract, to comply with Pension Regulations. • The risk is that member data numbers disclosed in the accounts are not accurate. 	<p>Findings</p> <p>We have reviewed the member data reconciliations between the draft accounts related disclosures and the Pension Administrator YPS, and found significant differences in the split between active and deferred members. The overall member data figures reported in the draft accounts of 48,900 has been amended to 49,100, following extensive review by the Actuary as part of the triennial valuation.</p> <p>The active member data reported in the draft accounts is 17,700 but following planned data cleansing work and line by line verification by the Actuary as part of the triennial valuation as at 31 March 2013 the active member numbers have been validated as 16,038. The post audit accounts Note 7.2/ 1(a) has active members amended to 16,000, which is more in line with our expectations and consistent with the reduction in contribution movements year on year.</p> <p>We have sought assurances from the Actuary that the remaining small difference of 69 between Mercer figures of 16,038 and YPS figures of 15,969 on active members has no material impact on his actuarial valuation. The Fund is investigating this small outstanding difference, which is largely down to categorisation, including recognition of zero based contracts.</p> <p>The deferred member data reported in the draft accounts is 17,700. There is no full year end reconciliation of deferred members due to the data cleansing on-going work. The Fund acknowledges moving forward in year reconciliations need to be completed to support the year end member data disclosures. The Pension Administrator YPS has provided a figure of 19,525 deferred members to the Actuary for the 31 March 2013 triennial valuation. The Fund has amended Note 7.2/ 1(a) deferred members to 19,500.</p> <p>The pensioners member data reported in the draft accounts is 13,500. There is no full year end reconciliation of pension members but again the Fund will be introducing in year reconciliations. The Pension Administrator has provide a figure of 13,594 pensioners members to the Actuary for the 31 March 2013 triennial valuation. The Fund has amended Note 7.2/ 1(a) pensioners member data number to 13,600. The actual difference of 45 is down to timing of processing new pensioners and dependent and therefore has no effect on in year benefits paid.</p> <p>Recommendation</p> <p>Continue to liaise with Your Pensions Service (YPS) to complete the small remaining differences on active members through the data cleansing exercise in advance of the introduction of the Career Average Revalued Earnings scheme from 1 April 2014.</p> <p>Liaise with the Pension Administrator Your Pension Service (YPS) to develop the pension administration system in order to produce a full reconciliation of member movements in future years.</p>

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Assurance 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 laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Fund.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed with the exception of differing interpretations of key management personnel disclosures. We acknowledge the Fund's view of not including a separate senior officer remuneration disclosure within the "Key management personnel" note, is supported by its interpretation of the Code in that no senior officers are employed directly by the scheme and it is a view reflected in CIPFA's current template accounts. We have a different view of the Code that, it is not sufficient for the local authority pension fund accounts to cross-refer to disclosures made in the local authority financial statements as the pension fund accounts must be capable of standing alone from the local authority financial statements and not all of the senior officers and members in the County Council's disclosure are involved with the Fund. In our view, therefore, the Fund should determine who are the key management personnel which under the Code comprise of "chief officers, elected members...having authority and responsibility for planning, directing and controlling the activities" of the Fund, and make the appropriate disclosures in the Pension Fund financial statements.
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis.

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

There is no variation in actual fee against the planned fee for the 2012-13 audit at this stage.

Fees, non audit services and independence

We confirm below our final fees charged for the audit and no additional non-audit services have been provided.

Fees

	Per Audit plan £	Actual fees £
Fund audit	24,620	24,620
Total audit fees	24,620	24,620

There is no variation in actual fee against the planned fee for the 2012-13 audit at this stage.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

We have complied with all of the International Standards on Auditing which relate to our communications with those charged with governance the Audit and Assurance Committee.

Communication of audit matters to those charged with governance

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

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

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

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. 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 Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Fund's key risks when reaching our conclusions under the Code.

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

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

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Member data</p> <p>Continue to liaise with Your Pensions Service (YPS) to complete the small remaining differences on active members through the data cleansing exercise in advance of the introduction of the Career Average Revalued Earnings scheme from 1 April 2014.</p> <p>Liaise with the pension administrator to develop the pension administration system in order to produce a full reconciliation of member movements in future years.</p>	High	<p>Data cleansing:</p> <p>A significant amount of work on data cleansing has been undertaken since transition of the Scheme's pensions administration to the partnership with YPS. Officers have liaised closely with both YPS and the Scheme's Actuary to ensure that the exercise has been priority in order that key areas have been addressed prior to the submission of data for the 2013 Triennial Valuation and the implementation of the CARE Scheme.</p> <p>Part of the decision to move to the current service provider with YPS was that included in the agreement was a data cleansing team ,which continually review all core data held by the Fund. Regular and detailed meetings have been and will continue to be held with YPS and the Actuary to monitor all administration matters including data quality.</p> <p>When the draft accounts were prepared in June the data cleansing exercise as part of the actuarial triennial valuation verification, was underway but not complete. Accordingly reconciliations were not performed at that stage. During the period of the audit (June – September) the triennial data validation has been completed , consequently the members data in the audited accounts has been amended to reflect this.</p> <p>Processes have now been established for in year member data reconciliation in support of 2013/14 and beyond.</p> <p>We have received assurances from the Scheme's Actuary that progress achieved to date will be sufficient for a smooth and robust valuation process and that there are no material implications for the valuation. We are confident that the Scheme will have sufficiently robust data as is required to successfully operate a CARE scheme in good time to implement the 2014 Scheme.</p> <p>Reconciliation of member movements:</p> <p>Officers have worked with YPS and the actuary to produce a reconciliation of active member movements between 1st April 2012 and 31st March 2013. Going forwards Officers will continue to liaise with YPS to develop the pension administration system in order to produce a full reconciliation of member movements in future years.</p>	<p>Data cleansing:</p> <p>March 2014 - many key areas have already been completed.</p> <p>Member reconciliation:</p> <p>Reporting to be in place in time for year-end 31st March 2014.</p> <p>Fiona Miller - Senior Manager</p>

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
2	<p>Key Management Personnel disclosures</p> <p>Determine who are the key management personnel including chief officers and elected members as those who have authority and responsibility for planning, directing and controlling the activities of the Fund, and consider making the appropriate disclosures in the Pension Fund financial statements</p>	Low	<p>In line with Module 3 para. I122 of the Code of Practice on Local Authority accounting in the United Kingdom Guidance Notes for Practitioners our reading of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 is that the disclosure requirements relate to senior employees (i.e. the formal relationship of employer/employee determines whether a person is included within the scope of the notes. As the notes are based on statutory provisions whereby form takes precedence over substance, there is no opportunity to include persons whose relationship with the authority is in substance employer/employee.)</p> <p>As we disclose in our notes to the Pension Accounts the Scheme doesn't employ anyone directly. We therefore believe that no further disclosure is required in the Pension accounts in terms of Senior Officer remuneration as no officers are employed by the scheme. It is our view that, were the Scheme to include such disclosure, it could mislead readers of the accounts as it would imply that the Officers in question were employees of the Scheme. Additionally, such disclosure could lead to readers mistakenly doubling up the remuneration of the officers in question (as their remuneration is fully disclosed in the accounts of Cumbria County Council).</p>	N/A

Appendix B: Audit opinion for Cumbria County as Administering Authority

We anticipate that we will provide the Fund with an unmodified audit report within the Cumbria County Council financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUMBRIA COUNTY COUNCIL

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Cumbria Local Government Pension Scheme for the year ended 31 March 2013 under the Audit Commission Act 1998. 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 2012/13.

This report is made solely to the members of Cumbria County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Fund's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Director - Finance and auditor

As explained more fully in the Statement of the Assistant Director - Finance's Responsibilities, the Assistant Director - Finance is responsible for the preparation of the Cumbria Local Government Pension Scheme's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the 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 fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director - Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters

In our opinion, the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if, in our opinion the governance compliance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We have nothing to report in this respect.

Opinion on financial statements

In our opinion the Cumbria Local Government Pension Scheme's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester M3 3EB

Appendix C: Audit opinion for the Annual Report

We anticipate that we will provide the Fund with an unmodified audit report within the Pension Fund Annual Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUMBRIA COUNTY COUNCIL

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Cumbria Local Government Pension Scheme for the year ended 31 March 2013 under the Audit Commission Act 1998. 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 2012/13.

This report is made solely to the members of Cumbria County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Fund's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Director - Finance and auditor

As explained more fully in the Statement of the Assistant Director - Finance's Responsibilities, the Assistant Director - Finance is responsible for the preparation of the Pension Fund's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the 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 fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director - Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters

In our opinion, the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if, in our opinion the governance compliance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We have nothing to report in this respect.

Opinion on financial statements

In our opinion the Pension Fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester M3 3EB



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk