

# The Audit Findings for Cumbria Local Government Pension Scheme

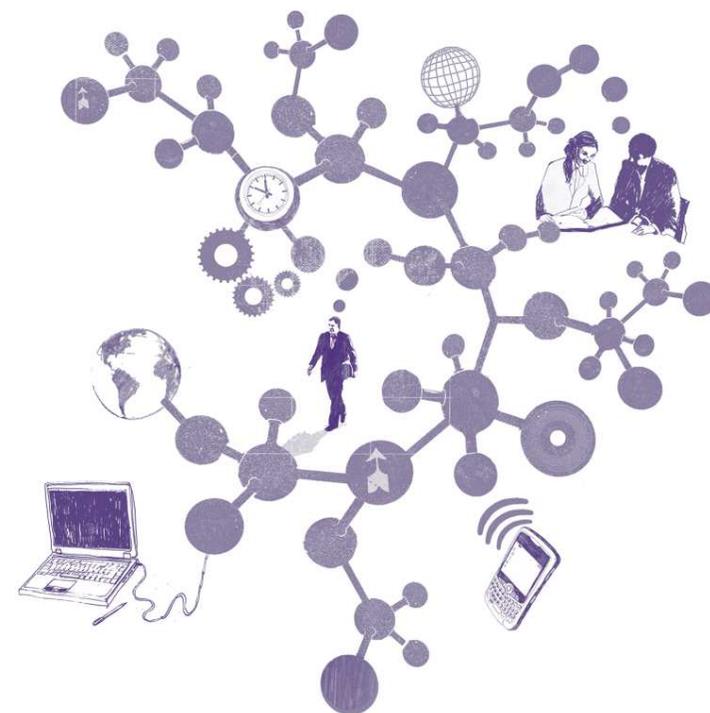
Year ended 31 March 2015

September 2015

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23 September 2015

Dear Tim

**Audit Findings for Cumbria Local Government Pension Scheme for the year ending 31 March 2015**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Cumbria Local Government Pension Scheme, the Audit and Assurance Committee of Cumbria County Council as the Administering Authority), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

Jackie Bellard  
Engagement lead

**Chartered Accountants**

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# Contents

| <b>Section</b>                               | <b>Page</b> |
|--|-------------|
| 1. Executive summary                         | 5           |
| 2. Audit findings                            | 7           |
| 3. Fees, non-audit services and independence | 18          |
| 4. Communication of audit matters            | 20          |

## **Appendices**

- A Action plan
- B Audit opinion for inclusion within Cumbria County Council's statements
- C Audit Opinion for inclusion within the Pension Fund Annual Report

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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**

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 2014/15, in terms of compliance with the CIPFA Code of Practice.

# Executive summary

## **Purpose of this report**

This report highlights the key matters arising from our audit of Cumbria Local Government Pension Scheme's (the Fund) financial statements for the year ended 31 March 2015. 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 260 (ISA UK&I).

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 and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

## **Introduction**

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2015. We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

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

- completion of final specialist partner review;

- obtaining and reviewing the final management letter of representation; and
- updating our post balance sheet events review, to the date of signing the opinion.

## **Key issues arising from our audit**

### **Financial statements opinion**

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

We have not identified any adjustments affecting the Fund's reported financial position. However, we have agreed with officers a disclosure clarification relating to the Fund's accounting policies on the treatment of employer deficit contributions.

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

## **Controls**

### **Roles and responsibilities**

The Council'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 Council as the administering authority.

## **Findings**

We have not identified any significant control weaknesses although we have highlighted 2 areas to management where controls could be improved:

- journals are not authorised but management consider there are adequate compensating controls in place; and
- the Fund could not complete monthly contribution reconciliations as the principal schools payroll provider did not supply complete and comprehensive data files. This has now been addressed by a full year reconciliation for 2014/15 and monthly reconciliations in 2015/16.

On the latter issue we acknowledge that the Fund picked this up as a control issue early in the financial year and reported actions taken to the Pension and Audit and Assurance Committees.

Further details are provided within section two of this report.

## **The way forward**

Matters arising from the financial statements audit have been discussed with the Assistant Director - Finance and the finance team.

We have made one recommendation, which is set out in the action plan in Appendix A. This recommendations has been discussed with the Assistant Director - Finance and the finance team.

## **Acknowledgment**

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 2015**

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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

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 the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Assurance Committee in March 2015. We also set out the adjustments to the financial statements arising from our audit work 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 in March 2015.

## **Audit opinion**

We propose to issue two unmodified opinions on the Fund, as follows:

- an audit opinion on the Fund financial statements included in the Council's Statement of Accounts; and
- an opinion on the Fund financial statements included in the Pension Fund Annual Report, which confirms if these financial statements are consistent with the financial statements in Cumbria County Council's Statement of Accounts.

Our proposed audit opinions on the Fund are set out in Appendix B and C.

# Audit findings against significant risks

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

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks, 1 and 2 below, which are applicable to all audits under auditing standards.

|    | Risks identified in our audit plan  | Work completed   | Assurance gained and issues arising  |
|----|---|--|--|
| 1. | <p><b>Improper revenue recognition</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</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 Cumbria Local Government Pension Fund scheme, 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</li> <li>• the culture and ethical frameworks of local authorities, including Cumbria County Council who act as the administrators of the pension fund, 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>   |
| 2. | <p><b>Management override of controls</b></p> <p>Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.</p>  | <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries</li> <li>• Review of unusual significant transactions</li> </ul>   | <p>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 except for the issue on the authorisation of journals.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p> |
| 3. | <p><b>Level 3 Investments – Valuation is incorrect</b></p> <p>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 gained an understanding of the Pension Fund's arrangements for gaining assurance over the valuation of these investments</li> <li>• For a sample of investments we have tested valuations by obtaining and reviewing audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31<sup>st</sup> March with reference to known movements in the intervening period</li> <li>• We have reviewed the nature and basis of estimated values.</li> </ul>   | <p>Our audit work has not identified any issues in respect of the valuations applied to year end 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   |
|--|---|---|---|
| <p><b>Investment Income</b></p> <p><b>Investment purchases and sales</b></p> | <p>Investment activity not valid</p> <p>Investment income not accurate.</p> | <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> <li>We carried out a predictive analytical review of investments</li> <li>For direct property investments ,we have rationalised income against a list of properties for expected rental income.</li> </ul>   | <p>Our audit work has not identified any significant issues in relation to the risks identified.</p>  |
| <p><b>Investment values – Level 2 investments</b></p>                        | <p>Valuation is incorrect.</p>  | <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 we have sought explanations for variances</li> <li>For direct property investments we have agreed values in total to valuer's report and undertaken steps to gain reliance on the valuer as an expert.</li> </ul>   | <p>Our audit work has not identified any significant issues in relation to the risks identified.</p>  |
| <p><b>Contributions</b></p>  | <p>Recorded contributions not correct.</p>                                  | <ul style="list-style-type: none"> <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> <li>We carried out controls testing over occurrence, completeness and accuracy of contributions</li> <li>We have carried out procedures and reviews sufficient to understand the Pension Fund's arrangements for gaining assurance over recorded contributions.</li> </ul> | <p>Our audit work has not identified any significant issues in relation to the risk identified, with the exception of the schools payroll provider being unable to provide monthly comprehensive and complete data files to enable the Fund to complete monthly contribution reconciliations.</p> <p>We acknowledge that the Fund has now addressed this control weakness, as supported by the full 2014/15 year contribution reconciliation and it is now producing monthly reconciliations.</p> |

# Audit findings against other risks continued

| Transaction cycle              | Description of risk  | Work completed   | Assurance gained & issues arising   |
|--------------------------------|--|--|---|
| <p><b>Benefits payable</b></p> | <p>Benefits improperly calculated/claims liability understated</p>   | <ul style="list-style-type: none"> <li>• We have carried out procedures and reviews sufficient to understand the Pension Fund's arrangements for gaining assurance over benefit payments</li> <li>• Controls and substantive testing over, completeness, accuracy and occurrence of benefit payments</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> | <p>Our audit work has not identified any significant issues in relation to the risk identified.</p> |
| <p><b>Member Data</b></p>      | <p>Member data not correct.</p> <p>It is important to note with the move from a final salary to a career average scheme places a regulatory requirement on employers to supply monthly data. Employers are having to ensure that their respective payroll systems are fit for purpose in producing timely and accurate data to meet these new regulatory requirements.</p> | <ul style="list-style-type: none"> <li>• We have carried out procedures and reviews sufficient to understand the Pension Fund's arrangements for gaining assurance over the accuracy of member data</li> <li>• Controls and substantive testing over annual/monthly reconciliations and verifications with individual members</li> <li>• Sample testing of changes to member data made during the year to source documentation.</li> </ul>   | <p>Our audit work has not identified any significant issues in relation to the risk identified.</p> |

# 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 Council's financial statements.

| Accounting area                        | Summary of policy  | Comments   | Assessment   |
|--|--|--|--|
| <p><b>Revenue recognition</b></p>      | <ul style="list-style-type: none"> <li>• Contribution Income: normal contributions for both employee 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 Fund adopts several different recognition approaches dependent on the types of investment as disclosed within the statements.</li> </ul> | <ul style="list-style-type: none"> <li>• 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.</li> <li>• There is limited judgement involved in revenue recognition as a result of:                             <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</li> <li>• there being agreement between the bodies.</li> </ul> </li> <li>▪ Our testing has not identified any inappropriate revenue recognition.</li> </ul>  | <p><b>Green</b></p>   |
| <p><b>Estimates and judgements</b></p> | <p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>• pension fund valuations and settlements</li> <li>• investment valuation</li> <li>• Provisions.</li> </ul>  | <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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 .</li> <li>• The valuation of the Fund's investment portfolio has been substantively tested to gain assurance that it is not materially misstated.</li> <li>• 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.</li> </ul> | <p><b>Green</b></p>  |

**Assessment**

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

# Accounting policies, estimates & judgements continued

| Accounting area                  | Summary of policy   | Comments   | Assessment   |
|----------------------------------|---|--|--|
| <b>Other accounting policies</b> | We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards. | Our review of accounting policies has highlighted one area that would benefit from clarification to explain the treatment of employer deficit contributions . Officers have agreed to make this change, which is not considered individually significant. See page 17 for further details. | <p style="color: green; font-size: 1.2em; margin: 0;"><b>Green</b></p> <div style="text-align: center; margin: 5px 0;">  </div> |

**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 are required by auditing standards 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 Committee and were not informed of any significant matters in relation to fraud. We have not been made aware of any 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 laws and regulations</b> | <ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>  |
| 3. | <b>Written representations</b>                     | <ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Fund.</li> </ul>   |
| 4. | <b>Disclosures</b>                                 | <ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>   |
| 5. | <b>Matters in relation to related parties</b>      | <ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed.</li> </ul>   |
| 6. | <b>Confirmation requests from third parties</b>    | <ul style="list-style-type: none"> <li>We obtained direct confirmations from all external fund 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> |
| 7. | <b>Going concern</b>                               | <ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis.</li> </ul>   |

# Internal controls

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

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for investments, contributions, benefit payments and member data as set out on pages 10 and 11 above.

The matter that we have identified during the course of our audit is set out in the table below. This recommendations, together with management's response, is included in the action plan attached at Appendix A.

|    | Assessment  | Issue and risk   | Recommendations   |
|----|---|--|---|
| 1. | <p><b>Amber</b></p>  | <p><b>Journal Entry Controls</b></p> <ul style="list-style-type: none"> <li>The issue of journal authorisation was raised in previous reports, and discussions have been ongoing with the Council during 2014/15 on this issue.</li> <li>We have reviewed the Fund's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses, with the exception of the lack of journal authorisation controls, which may adversely impact on the Fund's control environment or financial statements.</li> <li>We have not identified any issues to date from our journals testing with the exception of the journal authorisation issue as journals are not authorised.</li> <li>The Fund is satisfied that other compensatory controls are in place, such as e5 journal restrictions to finance staff.</li> <li>From an audit perspective we still expect some form of journal authorisation in line with ISA 240 and 315, even if it is operated at a batch level for more at risk categories of journals.</li> </ul> | <p>Introduce direct authorisation controls for journals</p> |

## Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

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.

## Adjusted misstatements

We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. There are no adjustments which impact on the primary statements and the reported financial position.

## Unadjusted misstatements

There are no unadjusted misstatements effecting the 2014/15 statements.

## Misclassifications & disclosure changes

There were no misclassification and disclosure changes identified during the audit, with exception of one accounting policy omission as outlined below.

| Adjustment type | Value<br>£'000 | Account balance              | Impact on the financial statements  |
|-----------------|----------------|------------------------------|---|
| 1 Disclosure    | n/a            | Note 2 - Accounting Policies | An accounting policy was added to explain the treatment of employer deficit contributions. The Fund accepted the accounts provided greater clarity to the reader of accounts by disclosing the following; "employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date." |

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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

There is no variation in actual fee against the planned fee for the 2014-15 audit.

# Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

## Fees

|                         | Per Audit plan<br>£ | Actual fees<br>£ |
|-------------------------|---------------------|------------------|
| Pension fund scale fee  | 24,620              | 24,620           |
| IAS19 related work      | 2,040               | 2,040            |
| <b>Total audit fees</b> | <b>26,660</b>       | <b>26,660</b>    |

There is no variation to the planned audit fee in 2014/15.

## 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 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.

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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

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 Standard on Auditing ISA (UK&) 260, as well as other (UK&I) 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.psa.co.uk](http://www.psa.co.uk)). From 2015/16 with the end of the Audit Commission the responsibility for audit appointments transferred to Public Sector Audit Appointments Limited.

We have been appointed as the Council'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 Council 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 Council 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.<br>Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged<br>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 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

| Rec No. | Recommendation  | Priority | Management response   | Implementation date & responsibility   |
|---------|---|----------|---|--|
| 1       | Introduce direct authorisation controls for journals. | Medium   | <p>In 2012 when the E5 financial system was upgraded the entry of journals into E5 was restricted to finance staff and this control continues. Supplementary evidence from budget holders is maintained where appropriate.</p> <p>The Council has assurance that this key control is operating effectively and is of the view that the additional workload to introduce additional authorisation is not justified by the residual risk . However in light of the audit view that additional authorisation should be introduced the Council will review, on a risk basis, if any particular types / values of journals should be subject to additional authorisation. Any changes will be implemented following that review.</p> | <p>1 January 2016</p> <p>Fiona Miller<br/>Pensions &amp; Financial Services<br/>(Deputy S151 LGPS)</p> |

**Priority**  
*High, Medium or Low*

# Appendix B: Audit opinion

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

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

We have audited the Cumbria Local Government Pension Scheme (the pension fund) financial statements of Cumbria County Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes and Section 5 Statement of Accounting Policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Cumbria County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Assistant Director - Finance and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Assistant Director - Finance is responsible for the preparation of the Authority's Statement of Accounts, which include 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also 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 Assistant Director - Finance; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial

information in the Explanatory Foreword 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's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

### **Opinion on other matters**

In our opinion, the information given in the Explanatory Foreword for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

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

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

September 2015

# Appendix C: Audit opinion in Pension Fund's Annual Report

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

## **Independent auditor's statement to the members of Cumbria County Council on the pension fund financial statements included in the pension fund annual report**

We have examined the Cumbria Local Government Pension Scheme (the pension fund) financial statements of Cumbria County Council for the year ended 31 March 2015 under the Audit Commission Act 1998, which comprise the fund account, the net assets statement and the related notes.

This statement is made solely to the members of Cumbria County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 statement 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 work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Assistant Director - Finance and auditor**

As explained more fully in the Statement of Responsibilities For the Statement of Accounts, set out on pages 25 and 26 of the audited pension fund financial statements the Assistant Director - Finance is responsible for the preparation of the Statement of Accounts of Cumbria County Council, which include the pension fund financial statements, in accordance with applicable law, proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view.

Our responsibility is to state to you our opinion on the consistency of the pension fund financial statements included in the pension fund annual report with the pension fund financial statements included in the Statement of Accounts of Cumbria County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In addition we read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of Chairman's introduction, The Local Government Pension Scheme, Management and Financial Performance, Investment Policy and Performance, Fund Administration Report and Administration Strategy, Actuarial Report On Funds, Governance Compliance Statement, Funding Strategy, Statement of Investment Principles, Communications and Other Statements and Information.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's annual Statement of Accounts describes the basis of our opinion on those financial statements.

## **Opinion**

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included within the annual Statement of Accounts of Cumbria County Council for the year ended 31 March 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Grant Thornton UK LLP

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September 2015



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