

# The Audit Findings for Cheshire Pension Fund

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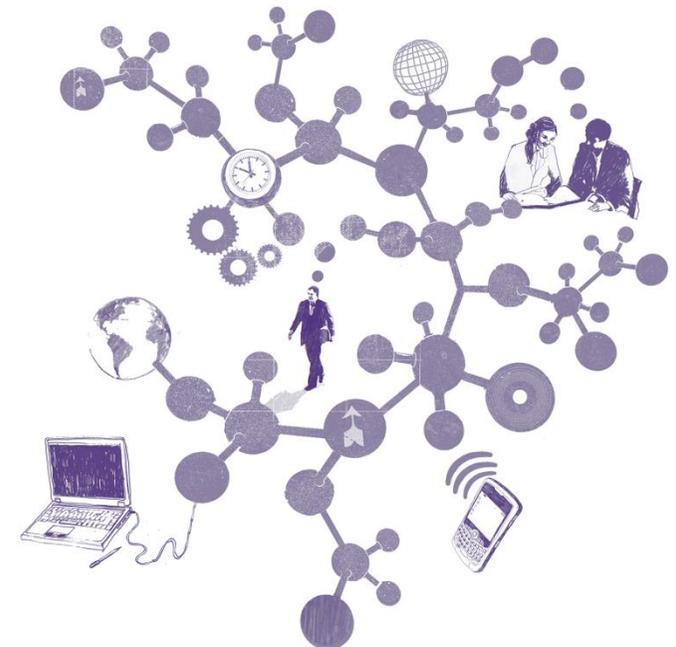
**Year ended 31 March 2015**

17 August 2015

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17 August 2015

Dear Councillor Burns

**Audit Findings for Cheshire Pension Fund 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 Cheshire Pension Fund, the Audit and Governance Committee), 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

Fiona Blatcher

**Chartered Accountants**

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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**

# Executive summary

## **Purpose of this report**

This report highlights the key matters arising from our audit of Cheshire Pension Fund'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 20 March 2015.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable. The overall quality of the draft accounts and supporting working papers was good.

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

- final review of data transfer following introduction of the new pension administration system
- completion of final specialist partner review

- obtaining and reviewing the final management letter of representation
- 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 audit 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 some minor adjustments to improve the presentation of the financial statements. Further details are set out in section two of this report.

The Fund have implemented the new guidance from CIPFA in relation to administration and management costs, building on the work already done to improve transparency of reporting in this area.

## **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**

Our work has not identified any control weaknesses which we wish to highlight for your attention.

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 Head of Finance and the finance team.

We have made one recommendation, which is set out in the action plan at Appendix A. This has been discussed and agreed with the Head of Finance and the finance team.

## **Findings**

Our work has not identified any control weaknesses which we wish to highlight for your attention. We have included a recommendation to consider strengthening arrangements at the Fund in light of the implementation of the career average scheme.

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 Head of Finance and the finance team.

We have made one recommendation, which is set out in the action plan at Appendix A. This has been discussed and agreed with the Head of 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**  
**August 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

# 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 Pension Fund Committee on 27 March 2015, and the Audit & Governance Committee on 23 June 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 dated 20 March 2015, as previously communicated to you.

## **Audit opinion**

We provide two opinions on the Pension Fund, as follows:

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

Our proposed audit opinion on the Pension Fund financial statements in the Statement of Accounts is set out at Appendix B.

We also propose to give an unqualified consistency with opinion on the financial statements in the Annual Report.

# 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 which are applicable to all audits under auditing standards. We have also identified the valuation of private equity investments as a significant risk due to the inherent estimation uncertainty involved in these types of investments.

	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>We rebutted this presumption during the interim phase of the audit on the basis there is little incentive to manipulate revenue recognition, opportunities to manipulate revenue recognition are limited, and the culture and ethical frameworks in place consider all forms of fraud to be unacceptable. This was communicated to members as part of the audit plan.</p>	<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 (UK&amp;I) 240 there is a presumed risk of management over-ride of controls</p>	<p>Our work has included:</p> <ul style="list-style-type: none"> <li>• review of accounting estimates, judgements 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.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>
3.	<p><b>Investment fair value measurements priced using inputs not based on observable market data</b></p> <p>Under ISA (UK&amp;I) 315 this was identified as a significant risk as the valuations include significant judgemental matters.</p>	<ul style="list-style-type: none"> <li>• procedures to confirm understanding of how the assurance is gained by the Fund over these valuations</li> <li>• substantive audit testing procedures for a sample of these investments and their valuation</li> <li>• review and confirm the nature and basis of estimated values</li> </ul>	<p>Our audit work has not identified any issues in respect of the valuation of these 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 purchases, sales and income</b></p>	<p>Investment activity not valid Investment income not valid</p>	<p>We have undertaken the following work in relation to these risks:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle, and undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>obtained independent, direct confirmations from Investment Managers, and Custodian</li> <li>3-way reconciliation between records of the fund managers, the custodian, and the Fund</li> </ul>	<p>Our audit work has not identified any investment activity or income that is not valid.</p>
<p><b>Investment Valuations</b></p>	<p>Valuation is incorrect</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>obtained independent, direct confirmation of balances from Investment Managers, and Custodian, and carried out 3-way reconciliation between records of the fund managers, the custodian, and the Fund</li> <li>obtained independent confirmation of valuation of property investments</li> </ul>	<p>Our audit work has not identified any investments held by the Fund where the fair value measurement is not correct / materially misstated.</p>

# Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Contributions</b></p>	<p>Recorded contributions not correct.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding, and tested key controls</li> <li>• Analytical procedures rationalising contributions received to changes in member data and payroll data</li> </ul>	<p>Our audit work has not identified any evidence that contributions have been recorded incorrectly.</p>
<p><b>Benefit payments</b></p>	<p>Benefits improperly calculated/claims liability understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding</li> <li>• tested key controls and a sample of new pensions coming into payment during 2014/15</li> <li>• Analytical procedures rationalising pensions paid with changes in pensioner numbers &amp; annual pension increases applicable</li> </ul>	<p>Our audit work did not identify any evidence that benefit payments have been improperly computed, or the claims liability understated.</p>

## Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Member Data</b>	Member data not correct	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• reconciliation of movements in membership statistics to transactions in the accounting records</li> <li>• undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding</li> <li>• tested key controls and verifications with individual scheme members</li> <li>• tested a sample of changes to the member data to confirm that appropriately approved, updated accurately &amp; timely, and in agreement with supporting documentation and notifications</li> </ul>	Our work has not identified any evidence that underlying member data held by the Fund is not correct.

# 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
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>• Contribution Income: normal contributions for both employee and employers is accounted for on an accruals basis</li> <li>• Transfers to and from the scheme: transfers are recognised when they are received / paid.</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>• The revenue recognition policies of the Fund are appropriate and in line with the relevant accounting framework</li> <li>• The application of the revenue recognition policies at the Fund is not considered complex, and our testing has not identified any inappropriate revenue recognition</li> </ul>	
<b>Estimates and judgements</b>	<ul style="list-style-type: none"> <li>• Key estimates and judgements include : <ul style="list-style-type: none"> <li>– investment valuation for unquoted and hard to value investments, and absolute return funds</li> <li>– pension fund actuarial valuations and settlements</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The valuation of the Fund's investment portfolio has been substantively tested to gain assurance that it is not materially misstated, and that appropriate valuation methodologies have been applied and are supported by verifiable underlying data</li> <li>• We have confirmed that the work of the actuary is in line with professional standards and regulations, and that they are a reliable source of estimation relating to the pension fund liabilities</li> </ul>	

## Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate and disclosures sufficient

 Accounting policy appropriate but scope for improved disclosure

# Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Other accounting policies</b>	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"> <li>We have reviewed the Fund's policies against the requirements of the Code of Practice on Local Authority Accounting and do not have any comments to make.</li> </ul>	●

**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 the areas set out on pages 9 to 11 above. We have also carried out controls testing in relation to benefit payments, scheme contributions, and the underlying administration records of the Fund.

The controls were found to be operating effectively and we have no specific matters to report to the Audit & Governance Committee, however, discussions with key officers has identified an area of increasing importance:

	Assessment	Issue and risk	Recommendations
1.		<ul style="list-style-type: none"> <li>Implementation of the career average scheme has heightened the need for strong and effective data quality checks, to ensure that future pension are calculated correctly.</li> <li>Due to the transitional protections in place, the career average scheme will have limited financial impact on the payment of pensions initially, but this will grow with time.</li> </ul>	<p>Going forward the Fund may want to review and consider whether additional control processes and testing is required.</p> <p>We have included the above recommendation in the Action Plan at Appendix A.</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.

## Misclassifications & disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	14/15 (£11,306) 13/14 (£13,653)	Net Current Assets Overstated Net Current Assets Overstated	The Net Current Assets is overstated for both years, but no impact on Total Net Assets for either year.  This is a presentational and arithmetic error as the disclosure misclassified Long Term Assets into the Net Current Assets sub-total.
2 Presentation and Disclosure	Various		A number of minor presentational and disclosure issues were amended in the accounts.
None of the above misclassifications or disclosure issues impact on the Fund's outturn position			

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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

# Fees, non-audit services and independence

We confirm below our final fees charged for the audit and provision of audit related services.

## Fees

	Per Audit plan £	Actual fees £
Pension fund scale fee	29,342	29,342
<b>Total audit fees</b>	<b>29,342</b>	<b>29,342</b>

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the 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.

## Fees for other services

Service	Fees £
<b>Audit related services</b>	
IAS19 certification fees	1,964

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## Section 4: Communication of audit matters

01. Executive summary

02. Audit findings

03. Fees, non-audit services and independence

**04. Communication of audit matters**

# Communication 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.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

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.

	Audit Plan	Audit Findings
<b>Our communication plan</b>		
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 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	The Fund may want to review and consider whether additional control processes and testing are required in order to secure data quality.	Medium	The Cheshire Pension Fund has agreed to implement appropriate systems and checks in order to ensure that the calculations of CARE benefits are accurate – to be implemented by 31 December 2015.	31 December 2015 Mark Wynn

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

# Appendix B: Proposed audit opinion for the financial statements

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

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

We have audited the pension fund financial statements of Cheshire Pension Fund 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. 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 Cheshire Pension Fund, 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 Chief Finance Officer and auditor**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer 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 Chief Finance Officer; 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 and the annual report 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, other than liabilities to pay pensions and benefits after the end of the fund year; 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 and the annual report for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

DRAFT

Fiona C Blatcher  
Associate Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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# Appendix C: Proposed audit opinion for the Annual Report

**We anticipate we will provide the Council with an unmodified audit report on the Pension Fund for inclusion in the Annual Report**

## **Independent auditor's statement to the members of Cheshire Pension Fund on the pension fund financial statements included in the pension fund annual report**

We have examined the pension fund financial statements of Cheshire Pension Fund 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 Cheshire Pension Fund, 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 Chief Finance Officer and auditor**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the pension fund's 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 Cheshire West and Chester 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.

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 opinions 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 Cheshire Pension Fund 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.

### **DRAFT**

### **Grant Thornton UK LLP**

Chartered Accountants  
Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
MANCHESTER  
M3 3EB

[Date for final version 2015]

# Appendix D: Letter of Representation

Grant Thornton UK LLP  
Royal Liver Building  
LIVERPOOL  
L3 1PS

DATE

Dear Sirs

**Cheshire Pension Fund**

**Financial Statements for the year ended 31 March 2015**

This representation letter is provided in connection with your audit of the financial statements of the Cheshire Pension Fund ('the Fund') for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2015, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year which are included within an actuarial report appended to the accounts, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code').

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## Financial Statements

1. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code; which give a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members.
2. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
3. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

6. We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.
7. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
8. Except as disclosed in the financial statements:
  - there are no unrecorded liabilities, actual or contingent
  - none of the assets of the Fund have been assigned, pledged or mortgaged
  - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
10. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
11. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
12. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
13. We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.
14. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

# Appendix D: Letter of Representation

## Information Provided

15. We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of your audit; and
  - unrestricted access to persons from whom you determined it necessary to obtain audit evidence.
16. We have communicated to you all deficiencies in internal control of which management is aware.
17. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
18. All transactions have been recorded in the accounting records and are reflected in the financial statements.
19. We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Fund involving:
  16. management;
  17. employees who have significant roles in internal control; or
  18. others where the fraud could have a material effect on the financial statements.
20. We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.
21. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
22. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty. /We have drawn to your attention all correspondence and notes of meetings with regulators.
23. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors. / We have drawn to your attention all correspondence with The Pensions Regulator confirmed to us by all of our other advisors.
24. We have disclosed to you the identity of all the Fund's related parties and all the related party relationships and transactions of which we are aware.

25. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## Approval

The approval of this letter of representation was minuted by the **Council's Audit and Governance Committee** at its meeting on 15 September 2015.

Yours faithfully

Name.....  
 Position.....  
 Date.....

Name.....  
 Position.....  
 Date.....

Signed on behalf of Cheshire West and Chester Council as administering body of the Cheshire Pension Fund



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