

# The Audit Findings Report for Buckinghamshire Pension Fund

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**Year ended 31 March 2016**

19 July 2016

**Emily Hill**

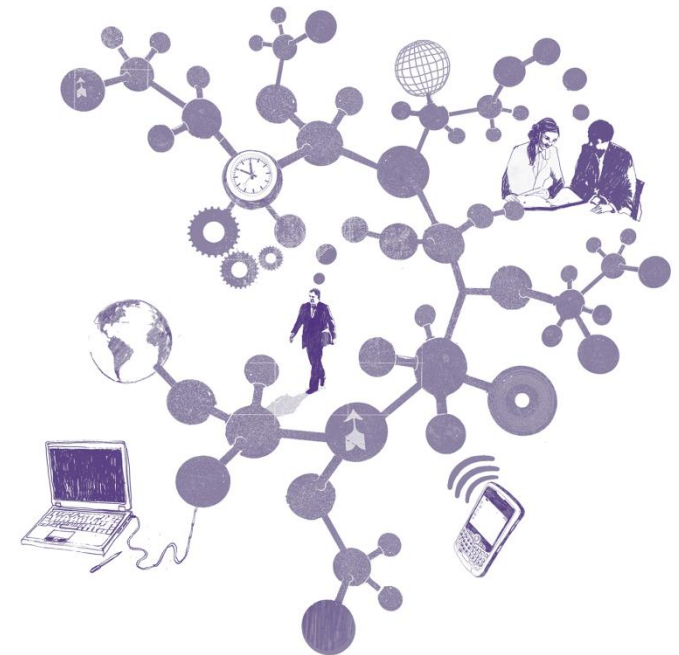
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Private and Confidential

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19 July 2016

Dear Members of the Regulatory and Audit Committee

**Audit Findings for Buckinghamshire Pension Fund for the year ending 31 March 2016**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Buckinghamshire Pension Fund, the Regulatory and Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with the Director of Assurance.

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

Emily Hill, Engagement lead

**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**

## Purpose of this report

This report highlights the key issues affecting the results of Buckinghamshire Pension Fund ('the Fund') and the preparation of the fund's financial statements for the year ended 31 March 2016. 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, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the fund and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance. This includes the Pension Fund Annual Report.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated February 2016.

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

- receipt of the year end balance confirmation from Lloyds Bank
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation and
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B). We have also included our anticipated opinion on the Annual Report at Appendix C.

## **Key audit and financial reporting issues**

### **Financial statements opinion**

We have identified no adjustments affecting the Fund's reported financial position, with the financial statements for the year ended 31 March 2016 recording net assets available for benefits during the year of £2,221,253k. We recommended a small number of adjustments to improve the presentation of the financial statements in relation to the disclosures around the classification of investments within the fair value hierarchy; these are set out in further detail on page 18 of this report and have been amended in the final financial statements.

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

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

## **Controls**

### **Roles and responsibilities**

The Fund's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Fund.

## **Findings**

We draw your attention in particular to control issues identified in relation to:

- We noted from our testing of controls around new starters into the scheme that for a number of new starters, statutory notice letters had not been sent out.

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 Director of Assurance and the Pensions and Investments Manager.

We have made a single recommendation, which is set out in the action plan at Appendix A. The recommendation has been discussed and agreed with the Director of Assurance and the finance team.

## **Acknowledgement**

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

**Grant Thornton UK LLP**  
**July 2016**

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## Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

This section summarises the findings of the audit, we report on the final level of materiality used and the work undertaken against the risks we identified in our initial audit plan. We also conclude on the accounting policies, estimates and judgements used and highlight any weaknesses found as part of the audit in internal controls. As required by auditing standards we detail both adjusted and unadjusted misstatements to the accounts and their impact on the financial statements.

## Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £22,058k (being 1% of net assets as per the net assets statement in the 2014/15 accounts). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £1,102k. This remains the same as reported in our audit plan.



# 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.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Buckinghamshire Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Buckinghamshire County Council as the administering authority, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We have tested investment income and have noted no indicators of fraudulent revenue recognition from the work performed.</p>	<p>Our audit work has not identified any material issues in respect of revenue recognition.</p>
2.	<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have completed the following procedures</p> <ul style="list-style-type: none"> <li>• testing of journal entries</li> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride 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 judgements.</p>

## Audit findings against significant risks (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p><b>Level 3 Investments – Valuation is incorrect</b></p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<p>We have undertaken the following in relation to this risk:</p> <ul style="list-style-type: none"> <li>Completed walkthrough tests of controls on investments.</li> <li>Tested a sample of investments by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Those values were then reconciled to the values at 31 March with reference to known movements in the intervening period.</li> <li>Reviewed the qualifications of fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached.</li> <li>Reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments.</li> <li>Reviewed the competence, expertise and objectivity of any management experts used.</li> </ul>	<ul style="list-style-type: none"> <li>We have noted that: <ul style="list-style-type: none"> <li>The Legal &amp; General indexed equity and bond funds should be reclassified as level 1 investments</li> <li>The Aviva investment portfolio in unit trust and indirect property investments should be reclassified as level 2 investments</li> <li>The Royal London Asset Management Sterling EX Y BD-Z fund should be reclassified as level 1 investments.</li> </ul> </li> <li>Our audit has noted no other concerns in relation to the valuation of Level 3 investments.</li> </ul>

# 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
<b>Investment purchases and sales</b>	Investment valuation not correct. (Valuation gross or net)	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• 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>• Tested a sample of purchases and sales to ensure they are appropriate.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Investment values – Level 2 investments</b>	<p>Fair value measurements priced using inputs that are observable either directly or indirectly not correct (Valuation gross)</p> <p>Fair value measurements priced using inputs based on observable market data not correct (Valuation gross)</p>	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• Tested a sample of level 2 investments to independent information from the custodian and fund manager.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

## 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 (Occurrence)</p>	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• Controls testing over occurrence, completeness and accuracy of contributions made in respect of Buckinghamshire County Council,</li> <li>• Tested a sample of contributions in respect of scheduled and admitted bodies to source data to gain assurance over their accuracy and occurrence.</li> <li>• Trend analysis of scheme contributions across the year.</li> <li>• Rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners and ensured that any unexpected trends were satisfactorily explained.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Benefits payable</b></p>	<p>Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)</p>	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• Controls testing over, completeness, accuracy and occurrence of benefit payments,</li> <li>• Tested a sample of individual pensions in payment by reference to member files.</li> <li>• Trend analysis of benefit payments across the year to assess the completeness of benefit payments.</li> <li>• Rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year and ensured that any unusual trends were satisfactorily explained.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Member Data</b></p>	<p>Member data not correct. (Rights and Obligations)</p>	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• Controls testing over annual reconciliations and verifications with individual members.</li> <li>• Sample tested changes to member data made during the year to source documentation.</li> </ul>	<p>We noted from our testing of controls around new starters into the scheme that for a number of new starters, statutory notice letters had not been sent out. In all other respects these two cases had been treated correctly and we are satisfied that both have been recorded on the Altair system correctly.</p> <p>Our audit work has not identified any other significant issues in relation to the risk identified.</p>

# Accounting policies, estimates and judgements

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

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>Contributions, benefits and investment income are included on an accruals basis. All settlements for buying and selling investments are accrued on the day of trading. Interest on deposits is accrued if not received by the end of the financial year.</li> </ul>	The revenue recognition policies are appropriate and in accordance with the CIPFA Code of Practice and International Financial Reporting Standards (IFRS).	 <b>Green</b>
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>Valuation of level 3 investments</li> <li>Actuarial estimate disclosures</li> </ul> </li> </ul>	In all significant respects judgements and estimates have been disclosed appropriately and adequately in accordance with appropriate accounting policies. No evidence has been identified during our audit to suggest management has not exercised appropriate and reasonable judgement.	 <b>Green</b>
<b>Going concern</b>	Officers have a reasonable expectation that the services provided by the Fund will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed officer's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	 <b>Green</b>


**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators (Red)  
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● Accounting policy appropriate but scope for improved disclosure (Amber)

● Accounting policy appropriate and disclosures sufficient (Green)

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Other accounting policies</b>	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	We have reviewed the Fund's policies against the requirements of the CIPFA Code of Practice. We consider the Fund's accounting policies are appropriate and consistent with previous years.	 <b>Amber</b>

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators  
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

## Other communication requirements

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

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Regulatory and Audit Committee and been made aware of low-level frauds identified and investigated by internal audit. 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.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Fund.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to the fund custodian BNY Mellon, fund managers and Lloyds Bank. This permission was granted and the requests were sent. Our request to the custodian and all of our requests to fund managers were returned with positive confirmation, however a the date of issue of this report we are still waiting for the bank confirmation from Lloyds to be received.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>We noted that a small number of amendments to the fair value hierarchy disclosures within Note 12 were required.</li> <li>Our review found no other material omissions in the financial statements.</li> </ul>
7.	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to report by exception where the Pension Fund Annual Report is inconsistent with the financial statements. We have not identified any issues we wish to report.</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, Benefits Payable, and Member Data as set out on pages 9 to 13 above.

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

	Assessment	Issue and risk	Recommendations
1.	 Red	<ul style="list-style-type: none"> <li>We noted from our testing of controls around new starters into the scheme that for a number of new starters, statutory notice letters had not been sent out despite the new starters having been employed for several months.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that statutory notice letters for new starters are sent out in a timely manner.</li> </ul>

**Assessment**

-  Significant deficiency – risk of significant misstatement (Red)
-  Deficiency – risk of inconsequential misstatement (Amber)

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 and disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	-	Fair value hierarchy disclosures	<p>The following amendments to the financial instruments fair value disclosures presented within Note 12 have been noted as required:</p> <ul style="list-style-type: none"> <li>- Pool investment vehicle investments of £612,221k relating to the Legal &amp; General indexed equity and bond funds and Royal London Asset Management Sterling EX Y BD-Z fund should be reclassified from Level 3 to Level 1</li> <li>- Property – unit trust investments of £186,330k relating to the Aviva investment portfolio should be reclassified from Level 3 to Level 2</li> <li>- Dividend income receivable, cash deposits, current assets and current liabilities of £7,157k, £69,072k, £12,468k and £(4,764)k respectively should be reclassified from Level 1 to Level 2</li> </ul>

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## Section 3: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

**03. Fees, non audit services and independence**

04. Communication of audit matters

We confirm below our final fees charged for the audit.

### Fees

	Proposed fee per Audit Plan £	Actual fees £
Pension fund scale fee	25,033	25,033
<b>Total audit fees (excluding VAT)</b>	<b>25,033</b>	<b>25,033</b>

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

### Fees for other services

Service	Fees £
No other services have been provided	-

### 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.

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## Section 4: Communication of audit matters

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

# Communication to those charged with governance

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

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 Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

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		✓
Non compliance with laws and regulations		✓
Expected modifications to 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.	Ensure that statutory notice letters for new starters are sent out in a timely manner.	High	The printing of statutory notices was ceased due to an issue with the content of the letter. This took some time to resolve and a backlog of letters built up. The statutory notices have now all been sent and will be issued in a timely manner from now on.	Julie Edwards (Pension Fund Manager), 18 <sup>th</sup> July 2016



# Appendix B: Audit opinion

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

## **DRAFT - INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUCKINGHAMSHIRE COUNTY COUNCIL**

We have audited the pension fund financial statements of Buckinghamshire County Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Pension Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director of Assurance and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Assurance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law 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 pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Assurance; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the

audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2016; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### **Opinion on other matters**

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the audited pension fund financial statements.

### **Certificate**

We certify that we have completed the audit of the accounts of the Pension Fund in accordance with the requirements of the Act and the Code.

*Emily Hill*

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

Grant Thornton House  
Euston Square  
Melton Street  
London  
NW1 2EP

To be dated, 2016

# Appendix C: Proposed audit opinion on the annual report

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

## **DRAFT - Independent auditor's report to the members of Buckinghamshire County Council on the consistency of the pension fund financial statements included in the pension fund annual report**

The accompanying pension fund financial statements of Buckinghamshire County Council (the "Authority") for the year ended 31 March 2016 which comprise the fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2016 included in the Authority's Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 28 July 2016. The pension fund annual report, and the pension fund financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements is not a substitute for reading the audited Statement of Accounts of the Authority.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Director of Assurance responsibilities for the pension fund financial statements in the pension fund annual report**

Under the Local Government Pension Scheme Regulations 2013 the Director of Assurance is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Authority Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

## **Auditor's responsibility**

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority's Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

In addition we read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of Introduction from the Finance Director (Business Services Plus), Management and Financial Performance Report, Investment Policy and Performance Report, Scheme Administration Report, Governance Statements, Pensions Administration Strategy Report, Communications Policy Statement, Funding Strategy Statement, Statement of Investment Principles, Additional Information for the Scheme Annual Report and Actuary's Statement as at 31 March 2016.

## **Opinion**

In our opinion, the pension fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2016 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

*Emily Hill*

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

Grant Thornton House  
Melton Street  
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London  
NW1 2EP

To be dated, 2016



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