

Audit Findings

Year ending 31 March 2018

Avon Pension Fund
23 July 2018



Contents



Your key Grant Thornton team members are:

Julie Masci

Associate Director

T: +44 29 2034 7506

E: Julie.masci@uk.gt.com

Michelle Burge

Manager

T: +44 117 305 7886

E: michelle.burge@uk.gt.com

Beth Garner

In Charge Auditor

T: +44 117 305 7726

E: beth.ac.garner@uk.gt.com

Section

1. Headlines
2. Financial statements
3. Independence and ethics

Page

- 3
4
15

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion

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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Headlines

Introduction

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

Financial Statements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.	<p>Our audit work was completed on site during July. Our findings are summarised on pages 4 to 14. We have identified no adjustments affecting the Fund's reported financial position. The draft financial statements for the year ended 31 March 2018 recorded net assets of £4,601m which has not changes as a result of our work. We have recommended a number of adjustments to improve the presentation of the financial statement which management have either resolved in the final copy or we have concluded are not material.</p> <p>Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Corporate Audit Committee meeting on 30 July 2018, as detailed in Appendix E. These outstanding items include:</p> <ul style="list-style-type: none">- receipt of the management representation letter;- Confirming two final treasury management balances to independent bank confirmations;- review of the final set of financial statements;- Consideration of Post balance sheet events up to the date of signing; and- Review of the final version of the annual report.
-----------------------------	--	---

Acknowledgements

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

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

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

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Corporate Audit Committee meeting on 30 July 2018, as detailed in Appendix E.

Our approach to materiality

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our assessment of the value of materiality has been adjusted to reflect the value of net assets reported in the draft financial statements. We detail in the table below our revised assessment of materiality for Avon Pension Fund.

	Amount (£m)	Qualitative factors considered
Materiality for the financial statements	£46.009	This equates to 1% of net assets. Materiality has been set at this level to reflect the fact that the pension fund is well managed with experienced staff members and low turnover of staff. The accounts and supporting working papers are also of a high quality.
Performance materiality	£34.507	This has been set at 75% of materiality as there has been no indication from our risk assessment of any significant deficiencies.
Trivial matters	£2.300	This has been set at 5% of materiality and errors below this we would define as 'clearly trivial'
Materiality for specific transactions, balances or disclosures – Investment management expenses	£2.000	Due to public interests in these disclosures

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

Officers have a reasonable expectation that the services provided by the Fund will continue for the foreseeable future.

Management have assessed that there are no material uncertainties due to the fact that they hold £4.6n of assets which the actuary assesses is sufficient to meet 96.2% of future liabilities. The Fund's current overall aim is to recover the deficit in 15 years. The vast majority of the Fund's liabilities and deficit relate to local authorities who hold tax raising powers. The Fund monitors it's employers, their financial performance and assets in order to work with them in the management of their individual deficits. New employers to the Fund are required to provide guarantors or bonds where appropriate.

For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Work performed

We reviewed management's assessment of going concern and cash flow projections provided to us, in conjunction with our knowledge and understanding of the Pension Fund.

Auditor commentary

Management's view is that the use of the going concern assumption is appropriate with no material uncertainties that would require disclosure. We concur with this view.

Auditor commentary

Given the long term nature of the pension scheme there is little risk of material uncertainty in respect of the going concern assumption. Future funding contributions have been set by an independent actuary which mitigates the risk of material uncertainty. The future funding valuation covers a period of 3 years and assume a period of 15 years for deficit recovery. The 2016 triennial valuation was completed during 2016/17 setting employer contributions rates for future service and deficit recovery payments with effect from 1 April 2017.

Concluding comments

Auditor commentary

We can confirm that we did not identify any issues with the Pension Fund's use of the going concern assumption. Management's assessment of the appropriateness of the going concern assumption concluded that the Pension Fund was a going concern with no material uncertainty. We concur with this judgement and conclude that the assumption is adequately disclosed.

Our audit opinion is unmodified in respect of going concern.

Significant audit risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- The culture and ethical frameworks of local authorities, including Avon Pension Fund, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for Avon Pension Fund.

Our audit work has not identified any issues in respect of revenue recognition.

2

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We identified management override of controls as a risk requiring special audit consideration.

Auditor commentary

Our audit work included:

- review of accounting estimates, judgements and decisions made by management
- testing of journal entries
- review of unusual significant transactions

Our audit work has not identified any issues in respect of management override of controls.

Significant audit risks

Risks identified in our Audit Plan

Commentary

3

The valuation of Level 3 investments is incorrect

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.

We identified the valuation of level 3 investments as a risk requiring special audit consideration.

Auditor commentary

We have undertaken the following work in relation to this risk

- gained an understanding of the Fund's process for valuing level 3 investments and evaluated the design of the associated controls
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments.
- Reviewed the qualifications of the expert (fund managers and custodians) to value Level 3 investments at year end and gained an understanding of how the valuation of these investments has been reached.
- Reviewed the reclassification of one investment balance from Level 3 to level 2 to consider the appropriateness of the reclassification
- for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2018 with reference to known movements in the intervening period.

We identified that the conditions which caused the reclassification were present in the prior period and therefore the reclassification should have been recorded in the prior year financial statements. Management have adjusted for this and have reclassified the amount in the prior period, restating the disclosure.

Our audit work did not identify any further issues in respect of Level 3 investments.

Reasonably possible audit risks

Risks identified in our Audit Plan

Commentary

4

Contributions

Contributions from employers and employees' represents a significant percentage of the Fund's revenue.

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

Auditor commentary

We have undertaken the following work in relation to this risk:

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

Our audit work has not identified any material issues in respect of contributions receivable.

5

Pension Benefits Payable

Pension benefits payable represents a significant percentage of the Fund's expenditure.

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

Auditor commentary

We have undertaken the following work in relation to this risk:

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

Our audit work has not identified any material issues in respect of pension benefits payable.

Reasonably possible audit risks

Risks identified in our Audit Plan

6

The valuation of Level 2 investments is incorrect.

While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.

We identified valuation of level 2 investments as a risk requiring particular audit attention.

Commentary

Auditor commentary

We have undertaken the following work in relation to this risk:

- gained an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls.
- reviewed the reconciliation of information provided by the pension fund's/individual fund manager's custodian and the Pension Scheme's own records and sought explanations for variances;
- considered the competence, expertise and objectivity of any management experts used.
- evaluated the qualifications of the fund manager and custodian to value the level 2 investments at year end and gained an understanding of how the valuation of these investment has been reached.
- We reported in our audit plan that we would, for a sample of investments, tested the valuation by obtaining independent information from custodian/manager on units and unit prices. We have amended our testing approach as were able to rely on independent confirmation of custodian and fund manager information and agreement of the information to the Pension Fund's records.




Our audit work has not identified any material issues in respect of level 2 investments

Other issues




This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	Auditor view
<p>1. Brunel Pension Partnership (BPP) Ltd</p> <ul style="list-style-type: none"> Classification and valuation of the Fund's investment holding in BPP Ltd 	<p>Management have invested in a one tenth share of an FCA regulated company in year at a cost of £840,000 and has recorded its interest within the Fund's financial statements as a unquoted equity investment at cost. The audit team has made enquiries of management and reviewed the Partnership agreement and terms of reference for BPP Ltd's oversight board to consider the appropriate accounting treatment for this holding in line with IFRS10 and 11. That is whether the investment should be accounted for as a joint venture or associate rather than as an Unquoted Equity.</p> <p>Given the limited trading activity of the company to date, the Fund has concluded that its Fair value is equivalent to cost as at 31 March 2018</p>	<p>The team have held discussions with officers to determine whether there is control over Brunel Pension Partnership Ltd.</p> <p>Our work supports management's view that this investment has been appropriately classified. We recommend that management include additional disclosures within the financial statements setting out its key judgements to support its classification.</p> <p>Whilst our review of the Fair Value of the unquoted investment confirms that this is not materially different to the carrying value of the investment held within the Fund's accounts, management should ensure that its value its Fair Value is reviewed regularly and assessed for impairment on an annual basis.</p>
<p>2. Presentation and Disclosure amendments</p>	<p>As a result of review of the financial statements a number of presentational amendments were identified. These are identified in further detail in Appendix C.</p>	<p>Management have taken on board comments raised and have amended the financial statements accordingly where required.</p>

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> The Pension Fund's policy for Contribution and Investment income is set out in Note 1.18 – 1.22 to the Statement of Accounts 	<ul style="list-style-type: none"> The policy used is appropriate and in line with the accounting framework (CIPFA Code of Practice on Local Authority Accounting) The accounting policy is adequately disclosed. 	 Green
Judgements and estimates	<p>Key estimates and judgements disclosed in the notes to the accounts include:</p> <ul style="list-style-type: none"> The actuary's valuation of future promised benefits Valuation of Level 3 investments 	<p>We have reviewed the independence, competency and objectivity of the actuary. We have reviewed the methodology and assumptions applied by the actuary in preparing the estimate and tested against the results of an auditor expert.</p> <p>We have performed specific work on the valuation of Level 3 investments as outlined on page 8.</p> <p>We concluded:</p> <ul style="list-style-type: none"> The key estimates are appropriate. The accounting policies are adequately disclosed. From the work undertaken the judgements and estimates made are reasonable. 	 Green
Other critical policies		<p>We have reviewed the Pension Fund's policies against the requirements of the CIPFA Code of Practice. The Pension Fund's accounting policies are appropriate and consistent with previous years.</p> <p>The draft accounting policies did not include a policy in relation to critical judgements, see appendix C.</p>	 Green

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

Issue	Commentary
① Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Corporate Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> 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.
④ Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Pension Fund, including specific representations in respect of the Fund's interests in respect of Brunel Pension Partnership Ltd which is included in the Corporate Audit Committee papers.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests fund managers, custodian and the bank. This permission was granted and the requests were sent. Most of these requests were returned with positive confirmation, however requests from Goldman Sachs and Federated Investors have not yet been received. In anticipation of receiving these confirmations, we have undertaken alternative procedures to verify these balances.

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
6 Disclosures	<ul style="list-style-type: none">• Our review identified that the net gains and losses on financial instruments disclosure was omitted from the draft financial statements. Management have rectified this and included the disclosure.
7 Significant difficulties	<ul style="list-style-type: none">• No significant difficulties were identified in terms of the accounts closedown, production of draft accounts and working papers.
8 Matters on which we report by exception	<ul style="list-style-type: none">• We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2018. A draft report was produced and provided to us on 17 July 2018 which we have reviewed and we have not found any material inconsistencies between the Annual Report and the audited financial statements. A review of the final version of the Annual Report is required. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.

Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified.

Action plan

We have identified 2 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	●	As a result of a number of disclosure issues identified in year, there is a risk that future sets of financial statements will not be compliant with the CIPFA code.	<p>It is recommended that management review the CIPFA code and model accounts annually to ensure compliance is maintained.</p> <p>Management response</p> <ul style="list-style-type: none"> The management accept that the Statement of Accounts should be compliant with the CIPFA code and will take the necessary actions to ensure that this is maintained
2	●	Management have invested in a one tenth share of an FCA regulated company in year at a cost of £840,000 and has recorded its interest within the Fund's financial statements as a unquoted equity investment at cost. There is a risk that the investment may be incorrectly valued in the future.	<ul style="list-style-type: none"> Management should ensure that its value its Fair Value is reviewed regularly and assessed for impairment on an annual basis. <p>Management response</p> <ul style="list-style-type: none"> The management accept that the Fair Value of the investment must be reviewed regularly and assessed for impairment on an annual basis

Controls

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

Follow up of prior year recommendations

We identified the following issues in the audit of Avon Pension Fund's 2016/17 financial statements, which resulted in one recommendations being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented our recommendation.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	<ul style="list-style-type: none"> We recommended the Fund should set up a process of identifying and communicating to employers any differences identified between the expected employee contribution rates and their actual contribution rate. 	<p>Additional validation checks were added to the year end spreadsheet template to prevent invalid contribution rates from being submitted.</p> <p>As all employers are moving to use IConnect monthly returns there will no longer be a year end spreadsheet and IConnect does not currently have this validation in place. The Support Team have written an Altair report to pick up any invalid contribution rates. This is currently run on an adhoc basis including following year end, officers are now planning to make this a monthly check against the system and are considering reporting this as part of their TPR (The Pension Regulator) reporting.</p> <p>No errors were identified in our 2017/18 testing.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Audit Adjustments

Adjusted misstatements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There are no adjustments to the draft accounts affecting the Fund's financial position that have been identified during the audit process.

Impact of unadjusted misstatements

Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Reason for not adjusting
1 We identified as part of our review of the accounts a number of disclosures that required enhancement. Currency risk was disclosed as a whole rather than by currency and a few accounting policies require additional information for clarity.	£nil	£nil	Management have taken points on board and are reviewing in order to action in the future.
Overall impact	£0	£0	

Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. None of the items listed below affect the financial performance of the Fund.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Accounting Policies	No disclosure was included within the draft accounts accounting policies in relation to critical judgements.	Officers agreed to include an accounting policy in relation to critical judgements.	✓
Net Asset Statement	Disclosure changes made to the category names in the net asset statement and associated notes to amend investment categories to align with the CIPFA code.	Agreed with management that the disclosures would be altered for the current year and prior year statements.	✓
Note 7, Management Expenses	Details of the external audit fee were not disclosed within the draft accounts.	Agreed with officers that a footnote should be added to note 7 to identify the element of audit costs which relate to external audit fees.	✓
Note 11, Investments over 5% of the fund	The disclosure of single investments over 5% of the fund had applied incorrect percentages for the two largest investments and did not reconcile to the net assets statement.	The percentages disclosed have been corrected by officers and are now consistent with the net asset statement.	✓
Note 24, Fair Value Hierarchy	The draft accounts included the reclassification of assets between levels of hierarchy between 31 March 2017 and 31 March 2018 with the transfer of £209,579k of open ended pooled property funds from level 3 to level 2 following a review of the inputs to valuation techniques used to measure the fair value.	As the conditions are considered to have been present in the prior period, officers have agreed to reflect this in the accounts as a prior period disclosure restatement rather than reclassification in the current period.	✓
Net gains and loses on financial instruments	No disclosure was included in relation to net gains and losses on financial instruments.	Agreed with management that disclosure note should be included.	✓
Various	Other minor presentational changes including spelling, syntax, reordering of notes and rounding.	Presentation adjustments identified have been corrected in the final version of the statement of accounts.	✓

Fees

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

Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	£28,805	£28,805
IAS 19 Assurance to other auditors	£1,309	TBC
Total audit fees (excluding VAT)	£30,114	£28,805

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

The final fee for IAS 19 assurances to other auditors has yet to be agreed pending agreement of fee variations by PSAA.

Non Audit Fees

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified.

Audit opinion

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

Independent auditor's report to the members of Bath and North East Somerset Council on the pension fund financial statements accounts

Opinion

We have audited the pension fund financial statements of Bath and North East Somerset Council (the 'Authority') for the year ended 31 March 2018 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including the 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 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Director of Finance has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Statement of Accounts for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the pension 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 2017/18, which give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Director of Finance is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Corporate Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Signature to be added

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

2 Glass Wharf
Bristol
BS1 0EL

Date to be added



© 2018 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.