

The Audit Findings for Avon Pension Fund

Year ended 31 March 2019

19 July 2019



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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.

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Headlines

This table summarises the key findings and other matters 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 2019 for those charged with governance (in the case of Avon Pension Fund, the Corporate Audit Committee).

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, 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/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We commenced our post-statements onsite visit in early June and as at 19 July 2019 our audit is substantially complete. Our findings are summarised on pages 4 to 11.

We have identified no material errors or adjustments to the financial statements that have resulted in a change to the Pension Fund's reported financial position for the year ended 31 March 2019. We have recommended a small number of adjustments to improve the presentation of the financial statements.

The draft financial statements were presented for audit in accordance with the agreed timetable of the end of May 2019. The accounts were supported by good quality working papers and we received prompt responses to our queries.

Our follow up of prior year recommendation to management is detailed in Appendix A. Audit adjustments are detailed in Appendix B.

Subject to a small number of outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Corporate Audit Committee meeting on 30 July 2019, as detailed in Appendix D.

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) and the Code, 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; and
- Substantive testing on significant transactions and material account balances, including

We have not had to alter or change our audit plan, as communicated to you on 7 February 2019.

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 Audit and Governance Committee meeting on 26 July 2019, as detailed in Appendix D.

These outstanding items include;

- Review of the updated actuary report in respect of the McCloud ruling regarding age discrimination including reviewing the adjustments to the IAS 26 gross pension liability included in the statement of accounts.
- Receipt of ISA 240 response from those charged with governance
- receipt of management representation letter
- review of the final set of financial statements
- obtaining and reviewing the annual report
- completion of our subsequent events review

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.

Materiality calculations remain the same as reported in our audit plan We detail in the table below our determination of materiality for Avon Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	46.01 million	<ul style="list-style-type: none"> • This equates to 1% of total net assets for the prior year financial year (2017/18). This was calculated at the planning stage of the audit, on receipt of the draft accounts the materiality level was not amended as it would not have had a significant impact.
Performance materiality	32.21 million	<ul style="list-style-type: none"> • This equates to 70% of materiality
Trivial matters	2.3 million	<ul style="list-style-type: none"> • ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

1

Revenue transactions include fraudulent transactions

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 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 Bath & North East Somerset Council as the Administering Authority of Avon Pension Fund, mean that all forms of fraud are seen as unacceptable

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

We addressed the significant risk of management override of controls by:

- evaluating the design effectiveness of management controls over journals
- Analysing the journals listing and determine the criteria for selecting high risk unusual journals
- testing high risk journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gaining an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence
- evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions

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

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p>3 The valuation of Level 3 investments is incorrect</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 identified the valuation of level 3 investments as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>In order to address the significant risk of valuation of level 3 investments being incorrect we performed the following;</p> <ul style="list-style-type: none"> gained an understanding of the Fund's process for valuing level 3 investments and evaluate the design of the associated controls; reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; considered the competence, expertise and objectivity of any management experts used; reviewed the qualifications of the expert to value Level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached; and 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 2019 with reference to known movements in the intervening period. Our testing identified one difference of £2.4m between the fund manager valuation and valuation included in the accounts and custodian records. The difference has arisen due to the year end fund manager valuation not being received until after the accounts closedown process. The valuation is therefore estimated as disclosed within the accounting policies based on the 31 December 2018 valuation adjusted for known movements. No other variances in excess of the trivial threshold were identified in our testing. <p>Our audit work has not identified any further issues in respect of the valuation of these investments.</p>

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

Management set out their consideration of the appropriateness of the adoption of going concern assumption in a paper dated 10 June 2019.

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 £4.8bn of assets which the actuary assesses is sufficient to meet 96% of future liabilities. The Fund's current overall aim is to recover the deficit in 16 years. The vast majority of the Fund's liabilities and deficit relate to local authorities who hold tax raising powers. The Fund monitors its 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 in conjunction with our knowledge and understanding of the Pension Fund.

Concluding comments

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.

We concur with this view, we note that the actual total value of the Funds' promised retirement benefits as at 31 March 2019 is £7.062bn. This provides funding of approximately 68% of promised retirement benefits. There are clearly sufficient assets to cover liabilities to July 2020.

The assessment by the actuary that the funding level as at 31 March 2019 is sufficient to meet 96% of its expected future liabilities in respect of service completed to 31 March 2019.

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 16 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.



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 findings - other issues

Issue	Commentary	Auditor view
<p>Potential impact of the McCloud judgement</p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Pension Fund requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in the IAS 26 pension liability of c£76 million</p> <p>Due to the potential material impact of the ruling management have requested that the actuary undertakes a more detailed estimate from their actuary in order to calculate the additional IAS 26 liability to be disclosed in the accounts.</p>	<p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p> <p>We are of the view that there is sufficient evidence to indicate that a liability is probable. We received the revised IAS 26 calculation from the Pension Fund on the 19 July and are currently working through this to gain assurance that the basis of the adjustment is reasonable. We recognise that the adjustment of £40 million is very close to our materiality level of £46.01 million therefore the Pension Fund has adjusted for this within the final accounts.</p>
<p>Benefits payable – missing records</p>	<p>For one of a sample of five existing pensioners tested we could not locate the pensioner file. The records dated back to pre 1996 and were therefore held on microfiche rather than electronically.</p>	<p>We were able to isolate the extent of this error by identifying that £27.369m of benefits payable in 2018/19 related to pensioners whose records were held on microfiche (i.e. they retired pre 1996). The extrapolated impact of any likely error could not therefore be material and no further testing was undertaken.</p> <p>We were also able to gain assurance that the pensioner in question existed through the observation of correspondence received from the individual by the pension fund.</p> <p>No errors were identified from the testing of nine benefits payable to new pensioners.</p>

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Level 3 investments	The Pension Fund has level 3 investments that in total are valued on the balance sheet as at 31 March 2019 at £793 million. This includes hedge funds, property and infrastructure pooled investments. The level 3 investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. The basis of valuation for each category of level 3 investments is set out in note 24 to the financial statements. The overall value of level 3 investments has increased by £97 million in 2018/19.	<ul style="list-style-type: none"> From our review of the level 3 investments, no issues were identified in regard to the valuation basis of these Our testing identified one difference of £2.4m between the fund manager valuation and valuation included in the accounts and custodian records. The difference has arisen due to the year end fund manager valuation not being received until after the accounts closedown process. The valuation is therefore estimated as disclosed within the accounting policies based on the 31 December 2018 valuation adjusted for known movements. No other variances in excess of the trivial threshold were identified in our testing. Overall we consider managements process and key assumptions to be reasonable 	 Green
Level 2 investment	The Pension Fund have investments in pooled investments, diversified growth funds, multi asset funds and equity index options that in total are valued on the balance sheet as at 31 March 2019 at £3,283 million. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. The basis of valuation for each category of level 2 investments is set out in note 24 to the financial statements. The value of the investment has increased by £660 million in 2018/19.	<ul style="list-style-type: none"> From our review of the level 2 investments, no issues were identified in regard to the valuation basis of these Overall we consider managements process and key assumptions to be reasonable 	 Green

Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process and key assumptions to be reasonable

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 not been made aware of any other incidents of fraud 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 letter of representation has been requested from the Pension Fund which is included in the Corporate Governance Committee papers.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to custodians, Fund Managers and the bank. This permission was granted and the requests were sent all of these requests were returned with positive confirmation.

Other communication requirements

Issue	Commentary
⑥ Disclosures	<ul style="list-style-type: none">• Our review found no material omissions in the financial statements. A small number of disclosure amendments were made to the financial statements which are set out in Appendix B.
⑦ Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none">• All information and explanations requested from management was provided• We were provided with good working papers and support from the Pension Fund finance team throughout the audit process
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 2019 and therefore this report has not yet been produced. 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

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 related services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. Grant Thornton UK LLP are the auditors of Brunel Pension Partnership Limited (BPP).

	Fees £	Threats identified	Safeguards
Audit related			
Audit of Brunel Pension Partnership Limited (BPP)	40,000	None	<p>We do not consider that the Audit of BPP is a threat to our independence as Avon Pension Fund cannot exercise control over BPP.</p> <p>The audit of BPP is carried out by a specialist team, authorised by the Financial Standards Authority.</p> <p>The Fee of £40,000 is not significant compared to the audit fees of the ten participating pension funds.</p>
IAS 19 Assurance Letters to Other Auditors	6,000	<p>Self Review</p> <p>Management</p>	<p>This is not considered a significant threat as we are not reviewing any information that we have prepared. As this is an audit related service, it is acceptable for the audit team to carry out this work. In addition, we have not prepared the financial information on which our assurances will be used by the requesting auditor to form an opinion on as part of their opinion on the financial statements of the admitted body.</p> <p>The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will not be making any recommendations as part of this work.</p>

Follow up of prior year recommendations

We identified the following issues in the audit of Avon Pension Fund's 2017/18 financial statements, which resulted in two recommendations being reported in our 2017/18 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓ <ul style="list-style-type: none"> • As a result of a number of disclosure issues identified in year, there was a risk that future sets of financial statements will not be compliant with the CIPFA code. • We recommended that management review the CIPFA code and model accounts to ensure compliance is maintained. 	<ul style="list-style-type: none"> • Management reviewed the LGPS Fund Accounts 2018/19 example accounts and completed the disclosure checklist as part of the working papers provided to the audit team. • Only a small number of disclosure errors were identified in the 2018/19 audit (see Appendix C)
2	✓ <ul style="list-style-type: none"> • 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. • We recommended that management should ensure that its fair value is reviewed regularly and assessed for impairment on an annual basis. 	<ul style="list-style-type: none"> • Management reviewed the fair value of the investment as evidenced by the impairment of the investment to £395,000 in the 2018/19 statement of accounts.

Assessment

- ✓ Action completed
- X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

There are no adjusted misstatements

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.

Disclosure omission or error	Detail	Adjusted?
Prior Period adjustments	<p>The draft accounts included a number of immaterial prior period adjustments where management had adjusted accounting entries for fund manager base fees where transaction costs had been incorrectly deducted. The CIPFA code and IAS 8 only requires retrospective restatement for material prior period errors.</p> <p>Management agreed to amend figures back to prior year audited figures. Including:</p> <ul style="list-style-type: none"> Fund Account, 'management expenses' was overstated and 'profit and loss on disposal of investment and change in value of investments' was understated by £5,896k Note 7, management expenses, investment management expenses and fund manager base fees overstated by £5,896k Note 9, change in total net assets 2017/18 'less net revenue of the fund', corrected to £64,058k, draft accounts disclosed £58,162k Note 22, Amortised cost of unrealised gains, corrected to £19,088k (draft accounts disclosed £24,984k) 	✓
Presentational changes to the fund account	<p>The use of brackets to present additions within the fund account and inclusion of the following heading: 'Net (additions)/withdrawals including fund manager expenses' to provide greater clarity.</p>	✓
Accounting policies	<p>Note 1.30, 'Critical judgements in applying accounting policies' has been expanded to provide further detail as to why the fund does not hold significant influence over the Brunel Pension Partnership and is consequently not considered to be a joint venture.</p>	✓
Accounting policies	<p>Note 1.27 'Assumptions made about the future and other major sources of estimation uncertainty' note expanded to include sensitivity analysis of effect of actual results differing from assumptions.</p>	✓
Various presentational changes	<p>Other minor presentational changes including spelling, use of brackets and rounding.</p>	✓

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Corporate Audit 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	Impact on total net assets £'000	Reason for not adjusting
1 Partners Group Fund Manager – Property Pooled Investment <ul style="list-style-type: none"> Our testing of level three investments identified one difference of £2.4m between the fund manager valuation and valuation included in the accounts and custodian records. The difference has arisen due to the year end fund manager valuation not being received until after the accounts closedown process. The valuation is therefore estimated, as disclosed within the accounting policies based on the 31 December 2018 valuation adjusted for reductions or addition to the level of investment. 	2,430 Profits and loss on disposal of investments and changes in the market value of investments	Investment assets – Property Pooled Investments 2,430	Increased total net assts 2,430	Immaterial nature
Overall impact	£2,430	£2,430	£2,430	

Audit Fees

We confirm below our final proposed fees charged for the audit

Planned Audit Fees

Our Audit Plan included a PSAA published scale fee for 2018/19 of £22,180. Our audit approach, including the risk assessment, continues as the year progresses and fees are reviewed and updated as necessary as our work progresses.

Update to our risk assessment – additional work in respect of the audit code

The table below sets out the additional work which we have undertaken to complete the audit, along with the impact on the audit fee where possible. Please note that these proposed additional fees are estimates based on our best projection of work and will be subject to approval by PSAA in line with the Terms of Appointment.

Additional Audit Fees

Area of work	Timing	Comment	£
Assessing the impact of the McCloud ruling	June-July 2019	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statements along with any audit reporting requirements. This included consultation with our own internal actuary in their capacity as an auditor expert.	1,500

Total Audit Fees

	Actual 2017/18 fee £	Proposed 2018/19 fee £	Final 2018/19 fee £
Pension Fund Audit	28,805	22,180	22,180
Additional Audit Fees (see above)			1,500
Total audit fees (excluding VAT)	28,805	22,180	23,680

Audit Related Services Fees

In addition to the audit fees we set out below our additional proposed fees for audit related services provided during the course of our audit.

Audit related	£	Description
<p>IAS 19 assurance letters to other auditors In addition to the audit of the main financial statements, we are also responsible for the audit of the Pension Fund. In that capacity, we have been contacted by the audits of 6 other local authorities who are admitted bodies of the pension scheme to provide assurance in terms of our work on the Pension Fund audit. Both PSAA, in the Terms of Appointment, and the National Audit Office, in its Auditor Guidance Notes, expects that auditors will cooperate with other local government auditors and therefore we are required to respond.</p> <p>We are required to respond to requests received from other auditors of admitted bodies for assurance in respect of information held by the Fund and provided to the actuary to support their individual IAS 19 calculations.</p>	£6,000	<p>The Financial Reporting Council has highlighted that the quality and scope of work by audit firms in respect of IAS 19 letters of assurance needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year.</p> <p>Historically the cost of this work has been absorbed within the audit fee of the administering and admitted bodies with a token charge made each year (£1,309 in 2017/18). Given the lower fees we are now recovering the full cost of this extra work through an additional invoice to Avon Pension Fund. It will be for the Pension Fund to determine any appropriate recharges. For 2018/19, IAS 19 letters of assurance were provided to the following admitted bodies of Avon Pension Fund:</p> <ul style="list-style-type: none"> • Bath and North East Somerset Council • Bristol City Council • South Gloucestershire Council • North Somerset Council • Avon Fire Authority • West of England Combined Authority <p>Our estimate is that the fee for this will be £3,000 plus an additional £500 for each local government body which requests a letter of assurance.</p>

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 of Avon Pension Fund

Opinion

We have audited the financial statements of Avon Pension Fund (the 'pension fund') administered by Bath and North East Somerset Council (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including the Pension Fund's 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 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 2018/19; 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 Authority in accordance with the ethical requirements that are relevant

To our audit of the pension fund's 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.

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's financial statements is not appropriate; or
- the Director of Finance has not disclosed in the pension fund's 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 the pension fund for a period of at least twelve months from the date when the pension fund's 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's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's 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's 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's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such

Audit opinion

material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's 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's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the pension fund's 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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 set out on page 103 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's 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's 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 there is an intention by government that the services provided by the pension fund will no longer be provided.

The Corporate Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's 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 financial statements.

A further description of our responsibilities for the audit of the 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.

Audit opinion

Use of our report

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.

Signature To be added

Peter Barber, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol

Date to be added



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