

The Audit Findings for Cheshire Pension Fund

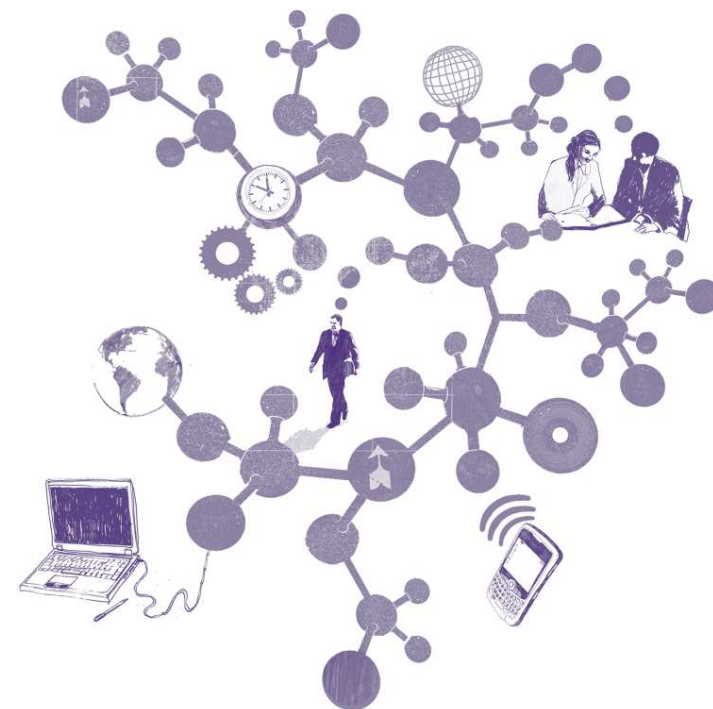
Year ended 31 March 2016

22 August 2016

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22 August 2016

Dear Councillor Burns

Audit Findings for Cheshire Pension Fund for the year ended 31 March 2016

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (the Audit and Governance 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 management.

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

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

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

Yours sincerely

Fiona Blatcher

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

The audit is substantially complete and we expect to issue an unqualified audit opinion.

Purpose of this report

This report highlights the key issues affecting the results of the Cheshire Pension Fund ('the Fund's) audit 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 3 March 2016.

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

- completion of final specialist partner review;
- review of the final version of the financial statements;
- reviewing the annual report;
- 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 identified one small adjustment affecting the Fund's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2016 recorded net assets available for benefits during the year of £4,170,083k, this figure was overstated by £9,261k due to a spread sheet error, however, following receipt of actual year end valuations for Private Equity assets, the net assets available for benefits during the year was amended to £4,161,128k, a reduction of £8,955k and showing the actual year end position (the draft financial statement were based on year end estimates). We have also made one recommendation to improve the presentation of the financial statements.

We received the draft financial statements at an early stage and good quality working papers at the start of our audit, in accordance with the agreed timetable.

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

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

Further details are provided within section two of this report.

The way forward

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

We have made one recommendation, which is set out in the action plan at Appendix A. The recommendation has been discussed and agreed with the Director of Finance 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
22 August 2016

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 £41,147k (being 1% of net assets). 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 £2,057k.

As we reported in our audit plan, we identified the following items where we decided that procedures would be performed to ensure that they are correct on the basis that they represent key figures/disclosures in the accounts.

Balance/transaction/disclosure	Explanation
Related party transactions including key management personnel remuneration	Due to public interest in these disclosures and the statutory requirement for them to be made.
Auditors Remuneration	This is a statutory requirement and a requirement of ethical and auditing standards
Cash	Although the balance of cash and cash equivalents is immaterial, all transactions affect the balance and it is therefore considered to be material by nature

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>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&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 Cheshire 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"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Cheshire West and Chester Council as the administering authority, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any material issues in respect of revenue recognition.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&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 substantive audit procedures to address this risk:</p> <ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management; • testing of journal entries; and • review of unusual significant transactions. 	<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 issues. 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>Level 3 Investments – Valuation 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 have addressed this risk as follows:</p> <ul style="list-style-type: none"> • updated our understanding and discussed the valuation of level 3 investments with relevant personnel during the interim audit; • performed walkthrough tests of the controls identified in the cycle; • agreed all Private Equity holdings to 31 March 2016 Fund Manager valuations; • agreed a sample of other level 3 investments to 31 March 2016 Fund Manager valuations; • agreed to underlying third party audited accounts; and • reviewed the nature and basis of estimated values. 	<p>The value for level 3 investments included in the draft accounts was initially based on estimated values at 31 March 2016. However, the Fund received actual year end values after the draft accounts had been prepared and decided to amend the accounts to include the actual figures. As a result, the value of level 3 investments was reduced by £8,955k. Our audit work has not identified any issues in respect of the valuation of these investments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Investment Income</p>	<p>Investment activity not valid. (Occurrence)</p> <p>Investment income not accurate. (Accuracy)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> ▪ reviewed the reconciliation of information provided independently by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances identified; ▪ tested a sample of investment income to source documentation; and ▪ for direct property investments rationalise income against a list of properties for expected rental income. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Investment purchases and sales</p>	<p>Investment activity not valid. (Occurrence)</p> <p>Investment valuation not correct. (Valuation gross or net)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • reviewed the reconciliation of information provided independently by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances; and • tested a sample of property purchases and sales to valuation reports. 	<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
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> reviewed the reconciliation of information provided independently by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances; tested a sample of level 2 investments to independent information from custodian/manager on units and on unit prices where the custodian does not provide independent pricing confirmation; and for direct property investments we agreed values in total to valuer's reports and undertook steps to gain reliance on the valuer as an expert. 	Our audit work has not identified any significant issues in relation to the risk identified.
Contributions	Recorded contributions not correct (Occurrence)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding; controls testing over occurrence, completeness and accuracy of contributions; testing of a sample of contributions to source data to gain assurance over their accuracy and occurrence; and 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 via an analytical review. 	The contributions receivable disclosed in note 6 split the amounts receivable from employers between normal contributions and deficit funding on a percentage basis. However, in both 2014/15 and 2015/16 certain employers made lump sum deficit funding payments. Whilst we can confirm the total contributions receivable from employers in both years, we are unable to confirm the accuracy of the split in the note as the Fund does not separately record the normal contributions and deficit funding.

Audit findings against other risks (continued)




Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding; controls testing over, completeness, accuracy and occurrence of benefit payments; tested a sample of individual pensions in payment by reference to member files; and 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. 	Our initial audit sample of 25 selected for testing identified one instance where data had been incorrectly recorded. As a result, we extended our sample testing by a further 35 items and no further errors were identified. The initial error identified related to backdating and we understand this was an isolated error and has now been amended by the Pension Fund. Other than this issue, our audit work has not identified any significant issues in relation to the risk identified.
Member Data	Member data not correct. (Rights and Obligations)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding; controls testing over annual/monthly reconciliations and verifications with individual members; and sample tested changes to member data made during the year to source documentation using a sample size of 60 member data changes in total. 	Our audit work has not identified any significant issues in relation to the risk identified.

Significant matters discussed with management

	Significant matter	Commentary
1.	Discussions or correspondence with management regarding accounting practices, the application of auditing standards, or fees for audit or other services.	There were no significant matters requiring discussion with management.

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
Revenue recognition	<ul style="list-style-type: none"> Contributions Income: normal contributions for both employee and employer is accounted for on an accruals basis. Transfers to and from the scheme: transfers are recognised when they are received / paid. Investment Income: the Fund adopts several different recognition approaches dependent on the types of investment as disclosed within the financial statements 	<ul style="list-style-type: none"> The revenue recognition policies of the Fund are appropriate and in line with the relevant accounting framework. The application of the revenue recognition policies at the Fund is not considered complex and our testing has not identified any inappropriate revenue recognition. 	 (Green)
Estimate and judgements	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> investment valuation for unquoted and hard to value investments, and absolute return funds; valuation of investment properties; and actuarial valuations and settlements. 	<ul style="list-style-type: none"> The valuation of the Fund's investment portfolio has been substantively tested to gain assurance that it is not materially misstated, that appropriate valuation methodologies have been consistently applied and are supported by verifiable underlying data. We have completed work to confirm reliance on the Pension Fund's expert regarding valuation of investment properties We have confirmed the work of the actuary is in line with professional standards and regulations, and that they are a reliable source of estimation relating to the Fund liabilities. We have used our own experts, PwC, to review the assumptions used by the Fund's main actuaries and that these are appropriate. 	 (Green)
Going concern	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.	 (Green)


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
<p>Other accounting policies</p>	<p>The Fund's accounting policies are in accordance with the requirements of the Code of Practice on Local Authority Accounting 2015/16.</p>	<p>We have reviewed the Fund's policies against the requirements of the CIPFA Code of Practice. The Fund's accounting policies are appropriate and consistent with previous years.</p>	<p style="text-align: center;">  (Green) </p>

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.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee and were not informed of any significant matters in relation to fraud. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any 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 Fund.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> Following management permission, we requested and obtained direct confirmations from all external Fund Managers, the Custodian, the investment property valuer and for bank balances.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
7.	Matters on which we report by exception	<ul style="list-style-type: none"> We are required to report by exception where the Pension Fund Annual Report is inconsistent with the financial statements. We will complete our review of this before providing our opinion and certificate of closure of the audit and will report any issues to the Audit and Governance Committee meeting.

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 Contributions, Benefits Payable, and Member Data as set out on pages 12 and 13 above.

The controls were found to be operating effectively and we have no matters to report to the Audit Committee.

Adjusted misstatements

One adjustment to the draft accounts was identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below shows the adjustment arising from the audit which has been processed by management.

Impact of adjusted misstatements

The adjusted misstatement is set out in detail below along with the impact on the key statements and the reported surplus/deficit for the year.

Detail	Pension Fund Account £'000	Net Asset Statement £'000	Impact on Fund £000
1 The value of level 3 investments was reduced due to actual 31 March 2016 valuations becoming available during the course of the audit.	-8,955	-8,955	-8,955

Unadjusted misstatements

We have not identified any misstatements which management have not amended.

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 Disclosure	Various	Various	The adjustment to the value of Private Equity holdings in the Net Asset Statement resulted in amendments to notes 4.2, 13, 13c, 13f, 17, 17a, 18a, 18b, 18c, 18d and 19a.
2 Disclosure	29	Audit Fee	To comply with the Code, a comment was added within note 10 to specifically disclose the audit fee.
3 Presentation and disclosure	Various	Various	A number of minor presentational and disclosure issues were amended in the notes to the accounts including Note 27 – Contingent Liabilities and Contractual Commitments , by removing reference to items no longer included in capital commitments; and Note 14 – Analysis of Derivatives, where figures were shown as £m rather than £000s.

Section 3: Fees, non-audit services and independence

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04. Communication of audit matters

There has been no change to the agreed audit fee and no independence issues have arisen.

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

Fees

	Proposed fee per Audit Plan £	Actual fees £
Pension fund scale fee	29,342	29,342
Total audit fees (excluding VAT)	29,342	29,342

The proposed fee variation for IAS 19 above takes account of the work we are required to undertake for admitted bodies with the PSAA regime and is consistent with that requested in prior years.

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 £
Audit related services:	
• Proposed fee variation – IAS19 Assurances	1,964
Non-audit services	1,964

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.

Section 4: Communication of audit matters

01. Executive summary

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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.a.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	The Fund should separately record employer normal contributions from employer deficit funding so that these figures can be properly disclosed in the financial statements.	Medium	The Fund will introduce procedures to capture deficit contributions separately from normal contributions as part of the quarterly reconciliation process.	To be implemented by December 2016. Director of Finance - Mark Wynn

Appendix B: Audit opinion - draft

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESHIRE WEST AND CHESHIRE COUNCIL

We have audited the pension fund financial statements of Cheshire West and Chester 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 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 Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts, which 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 pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant

accounting estimates made by the Chief Finance Officer; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the 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 the pension fund financial statements

In our opinion the pension fund 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 at that date of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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.

[Signature]

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

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[Date] 2016

Appendix C: Proposed audit opinion on the annual report - draft

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

Independent auditor's report to the members of Cheshire West and Chester Council on the consistency of the Pension Fund financial statements included in the Pension Fund annual report

The accompanying pension fund financial statements of Cheshire West and Chester 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 **["**insert date of opinion on financial statements in Statement of Accounts**"]**. 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.

Chief Finance Officer responsibilities for the pension fund financial statements in the pension fund annual report

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer 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 **["**insert information included in the pension fund annual report as applicable**"]**.

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.

[Signature]

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

4 Hardman Square
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MANCHESTER
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[Date] 2016



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