

The Audit Findings for City of Westminster Pension Fund

Year ended 31 March 2017

9 May 2017

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9 May 2017

Dear Members of the Audit and Performance Committee

Audit Findings for City of Westminster Council for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of City of Westminster Council, the Audit and Performance Committee), to oversee the financial reporting process, 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 officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), 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 and giving a value for money conclusion. 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

Elizabeth Jackson
Engagement lead

Chartered Accountants

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Section 1: Executive summary

01. Executive summary

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Purpose of this report

This report highlights the key issues affecting the results of City of Westminster Pension Fund ('the Fund') and the preparation of the fund's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 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.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

The pension fund is covered by these provisions as a result of its relationship with the administering authority, City of Westminster Council. However, in practice the use of these powers in relation to a pension fund is rare and we have not identified any reporting issues in 2016/17.

Introduction

In the conduct of our audit we have amended our audit approach which we communicated to you in our Audit Plan dated 9 February 2017. Upon receipt of the draft financial statements we have identified the following changes to our planned approach:

- Level 3 investments have been identified by officers as a result of updated guidance of the risk categorisation of one of the investments previously reported as level 2. We have reported this as a new significant risk in this report
- the audit plan identified investment income as a risk. This is immaterial this year so is being audited as a general balance in the financial statements and not a specific risk
- we have refocused the significant risk for the Managed Services Partnership to focus on the control environment for posting journals and completeness of the General Ledger (GL) through the operation of journals across the tri-borough.

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

- finalising our testing on member data, benefits payable and IAS19 disclosures confirmation from the auditor expert (due end of May)
- review of the final version of the financial statements and 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 for the Council and Pension Fund on 6 April 2017 which makes them the first draft set of 2016/17 Local Authority financial statements. Officers requested that the audit commence on 18 April to enable them to finalise the accompanying working papers and to update the investment balances for the finalised reports from the Custodian and Fund Managers.

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes the Pension Fund Annual Report.

We understand that the annual report will be ready for audit in advance of the formal signing date in July 2016 so anticipate issuing the consistency statement at the same time as the audit opinion.

Key audit and financial reporting issues

Financial statements opinion

We have not identified any adjustments affecting the Fund's reported financial position (details are recorded in section two of this report). The draft and audited financial statements for the year ended 31 March 2017 recorded net assets available for benefits during the year of £1,267m.

We have recommended a small number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Fund's financial statements are:

- a high quality set of draft accounts were submitted for audit
- the quality of the working papers and documents supporting the balances within the financial statements were of a good standard
- we received a high level of co-operation and support during the course of our audit although the speed of reply from the pensions administration body could be improved for the closedown ambitions of the Council.

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

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Controls

Roles and responsibilities

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

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

Findings

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

- The interface between the managed services system and Surrey pensions administration system did not go live as expected during 2016/17. This means that manual interfaces were performed which are labour intensive. There remains a backlog in processing changes to members data in the pensions administration system due to the service provider not providing correct and timely pension data to the administrator.

Further details are provided within section two of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

The way forward

Matters arising from the financial statements audit have been discussed with the City Treasurer.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the City Treasurer 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
May 2017

Section 2: Audit findings

01. Executive summary

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Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 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 £9,891k (being 0.9% of net assets). We have considered whether this level remained appropriate during the course of the audit and due to an increase in the Fund's net asset statement, we revised our overall materiality to £11,409k (being 0.9% of net assets).

We also set an amount below which misstatements would be clearly trivial in the context of a reader of the whole statement of accounts 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 £570k. This remains the same as reported in our audit plan. Clearly trivial is an auditing concept related to the audit opinion on financial statements. We recognise the importance that all publically funded expenditure should be subject to appropriate management controls.

As we reported in our audit plan, we have not identified any items where we decided that separate materiality levels were appropriate.

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

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
<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 the 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 this Council as the administering authority, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p>Management over-ride of controls</p> <ul style="list-style-type: none"> • Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities. 	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • review of entity controls • testing of journal entries • review of accounting estimates, judgements and decisions made by management • 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 controls and testing of journal entries has not identified any significant issues. For the Council audit, the weakness identified in the prior year that cross-entity journals could be raised across the tr-borough still exists. We did not identify any cross-entity journals for the Pension Fund in 2016/17.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

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
<p>Managed Services Partnership (MSP) The tri-borough councils implemented a new financial ledger through a managed services partnership with BT from 1 April 2015. There have been a number of difficulties with the implementation which give rise to a significant risk of completeness of the balances in the financial statements. The Council is proactively managing the service problems and is in regular contact with BT, including finance officers visiting the BT office on a monthly basis. Significant improvements have been made since the previous year but there remains a risk to the audit opinion.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • updated our understanding of the Council and Fund's relationship with the managed service provider during the 2016/17 year • reviewed the control environment around the posting of journals on the ledger and how these operate across the tri-borough • reviewed the service provision arrangements to ensure that the Council had sufficient information to prepare the financial statements in line with the planned closedown and audit timetable of April and May 2017. 	<p>The Council has continued to proactively manage the system and service delivery throughout the 2016/17 financial year. Officers of the Council have continued to visit the BT offices to ensure that the improved system controls are effectively operating throughout the year. Senior officers from BT have met regularly with Council management and have attended special meetings of the Audit & Performance Committee to update TCWG on progress being made to improve service delivery for the year end.</p> <p>Improvements have been made to the journal control environment although the Council are still unable to obtain a report of who posted and authorised every journal from BT. The weakness identified in the prior year in respect of the cross-entity journals has not occurred in 2016/17 for the Pension Fund (although cross-entity journals were found in the Council's journal population).</p> <p>We have identified a weakness in relation to the information flow from the managed services system to the pensions administrator team at Surrey. This has led to a significant backlog in updating the member data during the year. Also, the automated interface function has not yet been implemented and a manual process has been in place throughout the year. We have received sufficient assurance that the managed service partnership is being actively monitored by the Council and appropriate action is taken by management to ensure the accounts were produced in line with the 2016/17 timetable.</p>
<p>NEW RISK IDENTIFIED IN DRAFT 2016/17 FINANCIAL STATEMENTS</p>		
<p>Level 3 Investments Valuation 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.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • verified the investment balances to the fund manager and custodian report • 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, including the management judgement for amending the classification. 	<p>Our audit work to date has not identified any significant issues in relation to the risk identified.</p> <p>We are currently reviewing managements judgement for the reclassification of the 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
Investment purchases and sales	Investment activity not valid. Investment valuation not correct.	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> we have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. we have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances. 	Our audit work has not identified any significant issues in relation to the risk identified.
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> we have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. we have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances. tested a sample of level 2 investments to independent information from custodian/manager on units and on unit prices. we have reviewed the latest AAF 01/06 or ISAE 3402 audited reports on internal controls, published by the respective investment managers and Custodian. 	Our audit work has not identified any significant issues in relation to the risk identified.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Contributions</p>	<p>Recorded contributions not correct (Occurrence)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • we have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding • 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 numbers of contributing pensioners and ensured that any unexpected trends were satisfactorily explained. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Benefits payable</p>	<p>Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • we have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding • tested a sample of individual pensions in payment by reference to member files for accuracy and occurrence • 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 which confirmed completeness. 	<p>Our audit work is in progress as we are currently waiting for information to evidence two new pension payments as our sample testing of 22 identified:</p> <ul style="list-style-type: none"> • one pensioner with no leaver form • one pension with no final calculation. <p>We will verbally update the committee with the outcome of our testing.</p>

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Member Data</p>	<p>Member data not correct. (Rights and Obligations)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • Testing over the annual reconciliation and verifications with individual members. • Sample tested changes to member data made during the year to source documentation. 	<p>Our audit work is in progress as we are currently waiting for information to evidence:</p> <ul style="list-style-type: none"> • Leavers testing: no information on Altair for one member of the Fund in respect of leaving the Fund in the year • Starters testing: no information on Altair relevant to the enrolment date <p>We will verbally update the committee with the outcome of our testing.</p> <p>In addition, the control weakness identified in the prior year, the fund has not circulated pensioners domiciled abroad to confirm that they are still Members, still exists in 2016/17. We have concluded that there could not be a material misstatement as a result of the control weakness but have raised a recommendation in the Internal Control section of this report (page 19).</p>

Going concern

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&I) 570).

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that there are no issues arising for the Fund in 2016/17.

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	The Council's policy for Contribution and Investment income is set out in Note 3 a-c Fund Account – Revenue Recognition.	The revenue recognition policy appears to be consistent with the Code of Practice of Local Authority Accounting and the findings from our audit of the financial statements	● Green
Judgements and estimates	Key estimates and judgements disclosed in the notes to the accounts include: - pension fund liability	We reviewed the key estimates and judgements made by management within the material notes to the accounts. For the disclosures listed, we concluded they appear to be consistent in all material aspects with the guidance set out in the Code of Practice of Local Authority Accounting.	● 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 2016/17 financial statements.	● Green
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	The Fund's accounting policies are appropriate and consistent with previous years.	● Green

Assessment

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 and Performance Committee. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit.
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"> We have been made aware of one breach during the year which has been reported to the Pensions Regulator. Approximately 300 members of the Local Government Pension Scheme (15% of the eligible workforce) did not receive their LGPS annual benefit statement by 31 August 2016 due to a problem with the absence periods for these staff. In addition, for the statements issued on time there were a number of queries about the quality of the data and a root cause analysis was carried out and new statements issued in early 2017. This issue has been communicated to the committee in reports from management. There is no impact on the 2016/17 financial statements. We have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation will be requested for the Fund.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to fund managers, custodian and the bank. This permission was granted and the requests were sent and were returned with positive confirmation.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.

Internal controls



The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for the significant and other risks identified as set out on pages 10-14 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	 Amber	<ul style="list-style-type: none"> The interface between the managed services system and Pensions Administration system did not go live as expected during 2016/17. This means that manual interfaces were performed which are labour intensive. There remains a backlog in processing changes to member data in the pensions administration system due to the service provider not providing correct and timely pension data to the administrator. 	<ul style="list-style-type: none"> The Pensions Improvement Plan needs to be fully implemented

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control 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. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<ul style="list-style-type: none"> Management Expenses of £2.5m and Investment Income £8.5m incurred/received by Fund Managers and change in market value of £6m has been correctly recorded in the financial statements but not recorded in the Agresso ledger. 	<ul style="list-style-type: none"> The accounts fully reconcile to the GL for 2016/17.
2.	X	<ul style="list-style-type: none"> Pensioners domiciled abroad have not been circularized for over two years to confirm that they are still eligible for their pensions. 	<ul style="list-style-type: none"> Management are currently reviewing the most efficient and cost effective way of implementing the recommendation.
3.	✓	<ul style="list-style-type: none"> The Agresso accounting system allows for journals to be posted so that the debits and credits are not equal within the Westminster Pension Fund ledger. Seven such journals totaling £15k were identified and corrected by the finance team. The journals balanced over the Council/Pension Fund general ledgers as the system allows for journals to be posted across the three councils / pension funds. 	<ul style="list-style-type: none"> There are no cross-entity journals identified in 2016/17 financial statements. The internal control weakness still exists for the Council financial statements but the Pension Fund has not posted any such journals.

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted misstatements

There are no adjustments to the draft accounts 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.

Unadjusted misstatements

There are no adjustments identified during the audit which we request be processed, but which have not been made within the final set of financial statements.

Presentational and classification misstatements

There were no presentational changes within the financial statements that are above our reporting level.

Section 3: Fees, non-audit services and independence

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

Fees

	Proposed fee £	Final fee £
Pension Fund audit	21,000	21,000
Total audit fees (excluding VAT)	21,000	21,000

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

Independence and ethics

- Ethical Standards and ISA (UK&I) 260 require us to give you timely disclosure of matters relating to our independence. In this context, 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 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.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council and Fund.
- We confirm that no non-audit or audited related services have been undertaken for the Fund in 2016/17.

Section 4: Communication of audit matters

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Communication to those charged with governance

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.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council'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 Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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

- A. Action Plan
- B. Audit Opinion

A. Action plan

Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	The Pensions Improvement Plan needs to be fully implemented.		An Improvement plan is in place which will: 1) Ensure that root causes of current issues are understood and resolved; 2) Ensure that the Managed Services to Surrey Interface is fully delivered; 3) Ensure that there are performance metrics on the end to end pensions administration process (including data from all admitted and scheduled body providers) so that issues are identified earlier and resolved at the correct point of the process. 4) Ensure that a reconciliation of data is carried out across all systems.	June 2017 - Tri Borough Director of Pensions and Treasury (TBDTP)/Director of People Services (DPS) May 2017 –TBDTP/DPS Sept 2017 – TBDTP/DPS Aug 2017 – TBDTP
2	Management should determine the most efficient and cost effective way of implementing checks on pensioners domiciled abroad.		A process be implemented by October 2017 that reaches the highest volume of pensioners domiciled abroad.	Oct 2017 - DPS

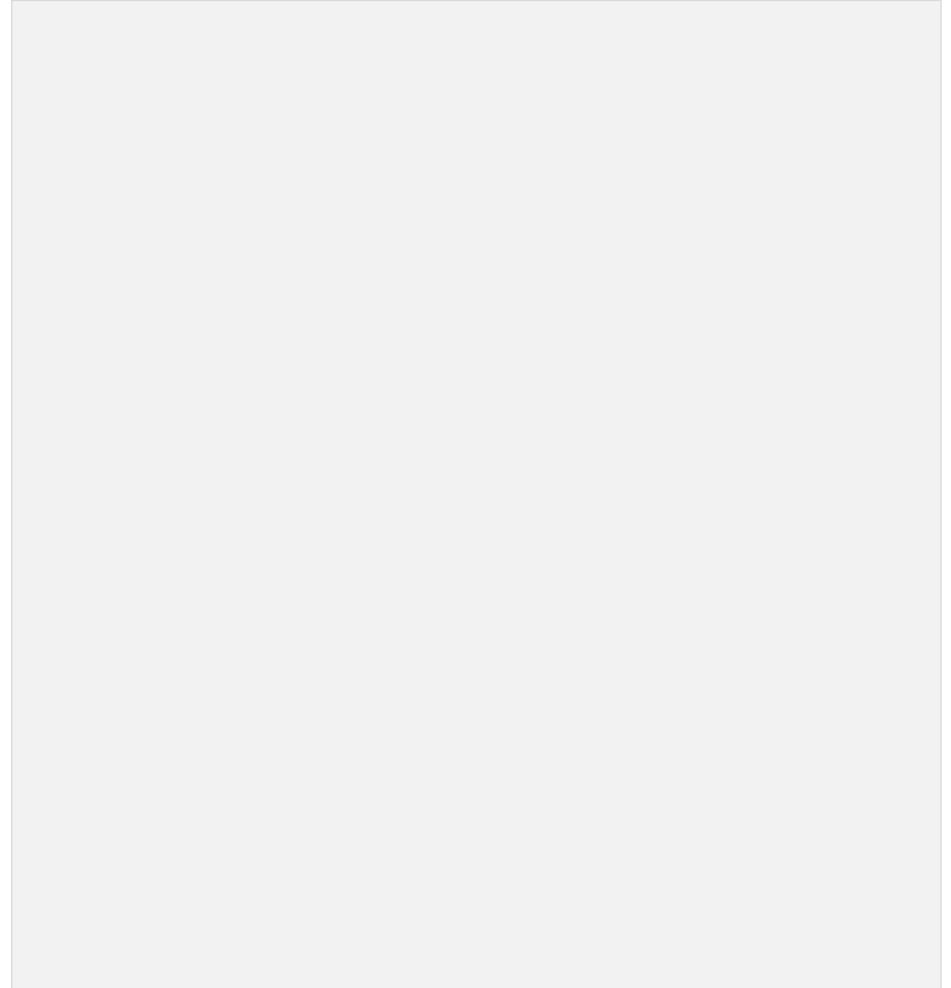
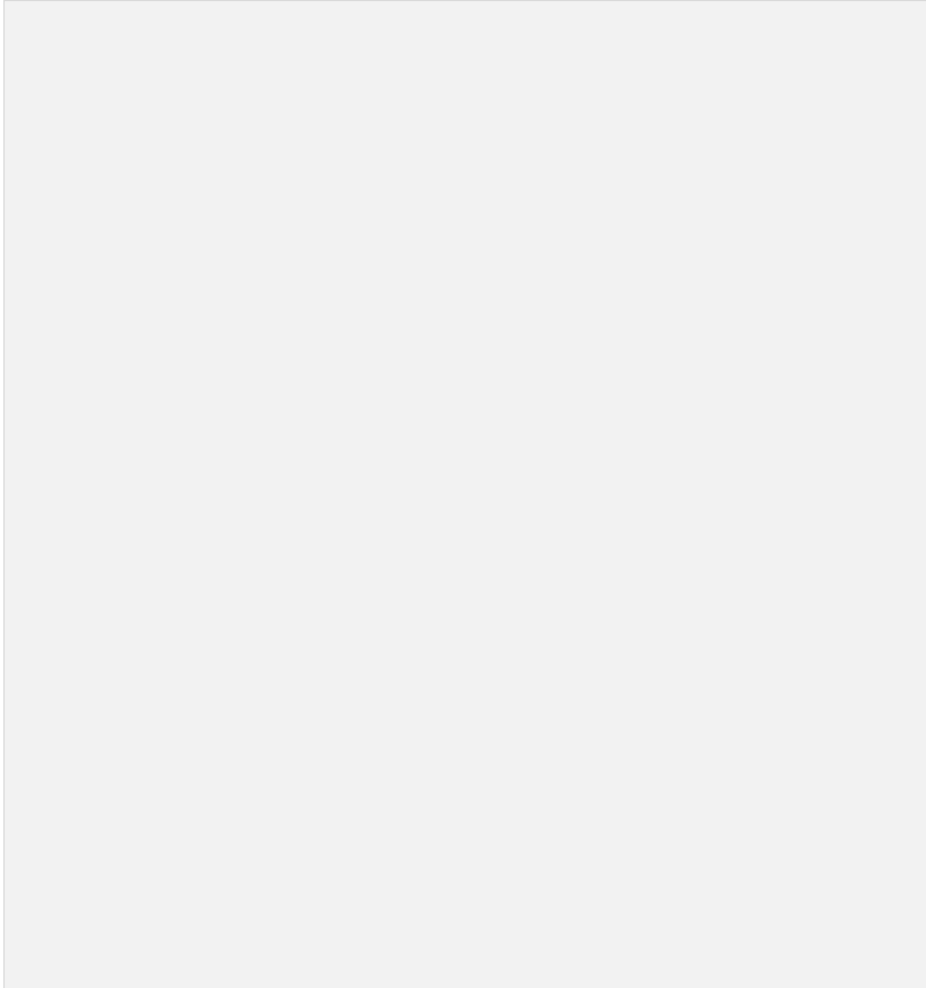
Controls

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

B: Audit opinion

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

PROPOSED OPINION WILL BE ADDED FOR JULY COMMITTEE





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