

CAMBRIDGESHIRE COUNTY COUNCIL PENSION FUND

AUDIT COMPLETION REPORT

Audit for the year ended 31 March 2018

20 July 2018

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WELCOME

We have pleasure in presenting our Audit Completion Report to the Audit and Accounts Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2018, specific audit findings and areas requiring further discussion and/or the attention of the Audit and Accounts Committee. At the completion stage of the audit it is essential that we engage with the Audit and Accounts Committee on the results of audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit and Accounts Committee meeting on 31 July 2018, and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

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. This report has been prepared solely for the use of the Audit and Accounts Committee and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the Appendices.

We would also like to take this opportunity to thank the management and staff of the Pension Fund for the co-operation and assistance provided during the audit.

OVERVIEW

This summary provides an overview of the audit matters that we believe are important to the Audit and Accounts Committee in reviewing the results of the audit of the financial statements and use of resources of the Council for the year ended 31 March 2018.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

AUDIT SCOPE AND OBJECTIVES

Audit status	We have substantially completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to resolution of matters set out in the outstanding matters section below.
Audit risks update	No additional significant audit risks were identified during the course of our audit procedures subsequent to our Audit Planning Report to you dated 27 March 2018.
Materiality	Our final materiality is £30 million for the net asset statement, £9.5 million for the fund account and £6.5 million for contributions. We have increased our materiality from £28.5 million to £30 million for the net asset statement as a result of the increase in valuation of investment asset as at year end. We also increased our specific contributions materiality from £6.2 million to £6.5 million as a result of the increased level of contributions at the year end; the original materiality calculations were performed on the prior year signed financial statements.
Changes to audit approach	There were no significant changes to our planned audit approach nor were any restrictions placed on our audit.

KEY AUDIT AND ACCOUNTING MATTERS

Material misstatements	Our audit identified no material misstatements.
Unadjusted audit differences	<p>We are required to bring to your attention audit differences that we have identified, but you are not proposing to adjust. These include:</p> <ul style="list-style-type: none"> Brought forward uncorrected misstatement from the prior year of £640k in respect of omission of accrued contributions due to late PEN18s Current year misstatement of £777k in respect of variances arising from investment reports used during the preparation of financial statements not being coterminous with year-end and therefore estimates were made <p>If corrected, this would decrease the net assets of the scheme by £1,417k.</p>
Control environment	Our audit identified no significant deficiencies in internal controls.

OVERVIEW

AUDIT OPINION

Financial statements	Subject to the successful resolution of outstanding matters set out on page 5, we anticipate issuing an unmodified opinion on the financial statements for the year ended 31 March 2018.
Pension fund annual report	Our review of the separate pension fund annual report is similarly complete, and we anticipate issuing an unmodified consistency opinion on the financial statements for the year ended 31 March 2018.

OTHER MATTERS FOR THE ATTENTION OF THE AUDIT AND ACCOUNTS COMMITTEE

Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix IV.
Management letter of representation	The draft management letter of representation, to be approved and signed, is set out in Appendix VI.

OUTSTANDING MATTERS

We have substantially completed our audit work for the year ended 31 March 2018, and anticipate issuing an unmodified opinion on the financial statements.

The following matters are outstanding at the date of this report. We will update you on their current status at the Audit and Accounts Committee meeting at which this report is considered:

1 Work on a verifying a sample of Level 3 investments back to the underlying Fund audited accounts

2 Clearance of partner review points

3 Final review and approval by you of the Statement of Accounts

4 Technical clearance

5 Subsequent events review

6 Management letter of representation, as attached in Appendix VI to be approved and signed

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT RISKS

Below we set out how these risks have been addressed and the outcomes of our procedures.

Key: ■ Significant risk ■ Normal risk

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1 ■ Management override of controls	<p>Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.</p> <p>By its nature, there are no controls in place to mitigate the risk of management override.</p>	<p>We have:</p> <ul style="list-style-type: none">• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements• Reviewed accounting estimates for bias and evaluated whether the circumstances producing any bias, represent a risk of material misstatement due to fraud• Obtained an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.	<p>Our audit work did not identify any significant issues.</p> <p>We have not found any evidence of bias in accounting estimates. See page 9 for our findings regarding the reasonableness of significant management estimates.</p> <p>No transactions outside of the normal course of business were identified.</p>

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
2 Fair value of investments (unquoted investments - excluding Cambridge & Counties Bank)	<p>The investment portfolio includes unquoted investment holdings valued by the fund manager. The valuation of these assets may be subject to a significant level of assumption and estimation and valuations may not be based on observable market data.</p> <p>In some cases, the valuations are provided at dates that are not coterminous with the pension fund's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations.</p> <p>As a result, we consider there to be a significant risk that investments are not appropriately valued in the financial statements.</p> <p>The valuation of Cambridge & Counties Bank is considered separately as a non-significant risk below.</p>	<p>We have obtained direct confirmation of investment valuations from the fund managers and the custodian.</p> <p>We have obtained independent assurance reports over the controls operated by the fund managers and custodian for valuations and existence of underlying investments in the funds.</p> <p>For a sample of investments, we obtained copies of the audited financial statements of the partnership (and member allocations) from the fund. Where applicable we have recomputed the pension fund's share of the audited net asset value of the partnerships financial statements and agreed to year-end confirmation obtained directly from the fund managers to ascertain the reasonableness of the year end confirmations. Where the financial statement date supporting the valuation was not conterminous with the pension fund's year-end, we have confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds.</p>	<p>We agreed all valuations to fund manager reports and identified an immaterial variance of £777k. The variance is due to the fact that some investment reports used during the preparation of financial statements were not coterminous with year-end and therefore estimates were made. This has not been corrected by management see unadjusted error on appendix 1.</p> <p>No issues were noted regarding the valuation of investments or the effectiveness of controls operated by the custodian for valuations and existence of underlying investments in the funds.</p> <p>Our work is still ongoing.</p>

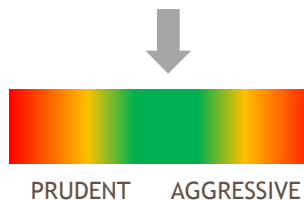
KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3 Pension liability assumptions	<p>An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>We have reviewed the controls in place at the Pension Fund to ensure that the data provided to the actuary is complete and accurate for both the 2016 valuation and the current year roll forward.</p> <p>We checked whether any significant changes in membership data were communicated to the actuary.</p> <p>We have reviewed the reasonableness of significant assumptions used in the calculations against other local government pension fund actuaries and other observable data.</p> <p>We have agreed the disclosure to the information provided by the actuary.</p>	<p>We did not identify any issues regarding accuracy and completeness of data provided by the fund to the actuary.</p> <p>Our review of the reasonableness of assumptions used to calculate the present value of future pension obligations is noted in the following page.</p>

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES

Pension liability assumptions

ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT					IMPACT
The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows	The actuary has used the following assumptions to value to future pension liability:					
		Actual used	Actuary range	PwC assessment of actuary range to market expectations		
	RPI increase	3.4%	3.4%	Reasonable		
	CPI increase	2.4%	2.4%	Reasonable		
	Salary increase	2.7%	--	Scheme and employer specific		
	Pension increase	2.4%	2.4%	Reasonable		
	Discount rate	2.7%	2.6-2.7%	Reasonable - although top of expected range		
	Mortality - LGPS:					
	- Male current		24.0 yrs	23.7-24.4	Within reasonable range	
	- Female current		26.3 yrs	26.2-26.9	Within reasonable range	
	- Male retired		22.4 yrs	21.5-22.8	Within reasonable range	
	- Female retired		24.4 yrs	24.1-25.1	Within reasonable range	
	PwC, the consulting actuary reviewed the assumptions and concluded that the methodologies used by Hymans Robertson to establish the assumptions used to calculate the pension liability are reasonable.					
	Conclusion					
Based on the work done by PwC we are satisfied that the assumptions used by the Council are consistent with the ranges proposed by the actuary and that the ranges proposed by the actuary are consistent with market expectations.						

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
4	Revenue recognition (CCC contributions)	<p>Under International Standard on Auditing 240 “The Auditor’s responsibility to consider fraud in an audit of financial statements” there is a presumption that income recognition presents a fraud risk. We have rebutted this presumed significant risk as the majority of income is from contributions, which is a highly controlled stream (with limited subjectivity or opportunity for manipulation), and levels of contributions are set by the scheme actuary.</p> <p>However, the majority of contributions are from a single employer, Cambridge County Council (CCC). Therefore, there is a risk that manipulation may occur within the CCC contributions, but this is not regarded as significant. We have scoped out from this specific risk the contributions received from other bodies, as it would require significant manipulation of multiple bodies for any misstatement to be material.</p>	<p>We have undertaken substantive testing of contributions receivable by the fund from CCC, on a sample basis, to verify the monthly contributions received by the pension fund and traced these back to returns issued to the pension fund and the employer payroll records.</p> <p>For a sample of individual members, we have verified their inclusion in the employer payroll and confirmed that employer contribution rates are in line with the latest rates set by the actuary, and member rates are in accordance with the LGPS Contributions Table.</p>	<p>Our testing has not identified any issues with the timings of contributions receivable to the fund or the accuracy of the amounts paid by the employer or employee.</p>

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
5	<p>Fair value of investments (Cambridgeshire and Counties Bank)</p>	<p>The investment in Cambridge & Counties Bank (CCB) is unquoted and is valued by an external valuer appointed by the fund (Grant Thornton). The valuation of the investment is based upon the unquoted results of the bank and includes an element of assumption and estimation.</p> <p>There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements. However, from our experience gained by reviewing the valuation basis in the prior year, and our expectation that the same basis will be applied this year, we have concluded this does not present a significant risk of misstatement.</p>	<p>We have reviewed the valuation of the bank completed by the external valuer and the significant assumptions made in this valuation. As part of this we have consulted with our own valuation specialists to help assess the reasonableness of the valuation.</p> <p>We have ensured that the investments have been correctly valued in accordance with the relevant accounting policies.</p> <p>GT take an average of the values derived under the price to earning ratio and price to book ratio. ratio approaches. The range they came up with was £65.2 million to £66.5 million and they valued the investment at mid-point £65.8 million. GT have said that while they have taken the average, they have considered the range of value and in their judgement taking account of the characteristics of the business the value tends to the middle of the two valuation approaches.</p> <p>Our valuation specialists consider taking the average of the two approaches is a little simplified. However, they note that if the P/E range were used instead (i.e. the higher of the two ranges), the overall value of the 50% holding would be £72m to £75.1m compared to GT's range of £65.2m to £66.5m this is not materially different.</p> <p>We therefore consider the valuation of the bank not to be materially misstated.</p>
6	<p>Consideration of related party transactions - key management personnel disclosures</p>	<p>We consider if the disclosures in the financial statements concerning related party transactions are complete, accurate and in line with the requirements of the accounting standards.</p>	<p>We reviewed the entity's procedures for identification of related parties and considered the adequacy of controls in place.</p> <p>We reviewed documentation for evidence of transactions with related parties</p> <p>We confirmed that the results of procedures throughout the audit did not provide any evidence that the schedule of related party transactions provided by management is incomplete.</p> <p>We assessed whether related party transactions are adequately disclosed in accordance with the requirements of applicable reporting framework.</p> <p>Our testing identified no issues.</p>

KEY AUDIT AND ACCOUNTING MATTERS

OTHER ISSUES		
We comment below on other issues identified in the course of our audit, of which we believe you should be aware:		
AUDIT AREA	AUDIT FINDINGS	
1	Other disclosures	<p>We identified some disclosure issues within the draft financial statements of which changes have been made in the revised financial statements as follows:</p> <ul style="list-style-type: none">Investments amounting to £693million held by UBS asset managers were incorrectly classified as Level 1 instead of Level 2.Sensitivity analysis for level 3 unquoted investments was not disaggregated to reflect the different valuation basis. Amendments have been made to the accounts to disaggregate the analysis into private equity, infrastructure and infrastructure debt to reflect the sensitivity of each valuation basis.Recommendations were made to improve the financial instruments accounting policies to make them in line with the Code.

KEY AUDIT AND ACCOUNTING MATTERS

MATTERS REQUIRING ADDITIONAL CONSIDERATION

We comment below on other matters requiring additional consideration:

AUDIT AREA		AUDIT FINDINGS
1	Fraud	Whilst Management has ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from those charged with governance on whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting Audit Planning Report on 27 March 2018.
2	Internal Audit	We reviewed the audit work of the Council's Internal Audit function to assist our risk scoping at the planning stage.

CONTROL ENVIRONMENT

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit and Accounts Committee.

As the purpose of the audit is for us to express an opinion on the Pension Fund's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We are not aware of any significant deficiencies in the Council's internal controls in 2017/18.

APPENDICES

APPENDIX I: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit and Accounts Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, and in aggregate, on the financial statements.

ADJUSTED AUDIT DIFFERENCES

Our audit identified one material disclosure misstatement. Investments amounting to £693 million held by UBS asset managers were incorrectly classified as Level 1 instead of Level 2.

UNADJUSTED AUDIT DIFFERENCES

We identified one unadjusted audit difference from our audit and two brought forward errors, which would decrease the net assets of the scheme by £1,417k. You consider these identified misstatements to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement. However, we also request that you correct them even though not material.

APPENDIX I: AUDIT DIFFERENCES

		FUND ACCOUNT		NET ASSETS	
		DR	CR	DR	CR
	£'000	£'000	£'000	£'000	£'000
Net assets of the scheme before adjustments	2,969,306				
Contributions	(640)	640			
Accrued income					640
Impact of brought forward unadjusted misstatement in respect of omission of accrued contributions due to late PEN18s					
DR Changes in market values of investments	(777)	777			
CR Investments					777
Being variances arising from investment reports used during the preparation of financial statements not being coterminous with year-end and therefore estimates were made					
TOTAL UNADJUSTED AUDIT DIFFERENCES	(1,417)				1,417
Net assets of the scheme after adjustments	2,967,889	1,417			

APPENDIX III: MATERIALITY

MATERIALITY - FINAL AND PLANNING		
	FINAL £	PLANNING £
Pension fund overall materiality	30 million	28.5 million
Fund account specific materiality	9.5 million	9.2 million
Contributions specific materiality	6.5 million	6.2 million
Clearly trivial threshold:		
Pension fund overall	0.6 million	0.57 million
Fund account specific	0.19million	0.19 million
Contributions specific	0.13million	0.13 million

Planning materiality for the pension fund financial statements was based on 1% of prior year net assets. Contributions specific materiality was set on 5% of prior year contributions for the fund account and fund account materiality was set on 7.5% of prior year total expenditure. These were updated for actual amounts reported in the draft financial statements.

APPENDIX IV: INDEPENDENCE

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement leads are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2018.

Details of services, other than audit, provided by us to the Council during the period and up to the date of this report were provided in our Audit Planning Report . We understand that the provision of these services was approved by the Audit and Accounts Committee in advance in accordance with the Council's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

APPENDIX V: FEES SCHEDULE

	2017/18 FINAL PROPOSED £	2017/18 PLANNED £	2016//17 FINAL £	EXPLANATION FOR VARIANCES
Code audit fee	22,410	22,410	22,410	
TOTAL AUDIT	24,410	22,410	22,410	
Fees for other non-audit services	-	-	-	
TOTAL ASSURANCE SERVICES	24,410	22,410	22,410	

APPENDIX VI: DRAFT LETTER OF REPRESENTATION

TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
Suffolk
IP3 9SJ

XX July 2018

Dear Sirs

Financial statements of Cambridgeshire County Council Pension Fund for the year ended 31 March 2018

We confirm that the following representations given to you in connection with your audit of the pension fund's financial statements for the year ended 31 March 2018 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Fund.

The Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of Responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial transactions of the scheme and the amount and disposition at the end of the year of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year in accordance with proper practices as set out in the CIPFA/LASAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Fund, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the pension fund's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the pension fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the pension fund's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

APPENDIX V: DRAFT LETTER OF REPRESENTATION

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving members of the Fund, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by members of the Fund, employees, former employees, analysts, regulators or any other party.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and, where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

The value at which investment assets are recorded in the net assets statement is the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuations, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the scheme. Any significant changes in those values since the year end date have been disclosed to you.

None of the assets of the scheme has been assigned, pledged or mortgaged.

We confirm that we have not been made aware of any concerns over the operations of the fund managers that could indicate that the controls as described in the assurance reports for each fund manager relating to the existence and valuation of investments held on behalf of the pension fund, where this does not cover the period to 31 March 2018, have materially changed or may not be suitable designed to provide reasonable assurance over the existence and valuation of the pension fund's investments.

APPENDIX VI: DRAFT LETTER OF REPRESENTATION

The following key assumptions have been used to calculate the actuarial present value of future pension benefits disclosed in the financial statements:

- RPI increase: 3.4%
- CPI increase: 2.4%
- Salary increase: 2.7%
- Pension increase: 2.4%
- Discount rate: 2.7%
- Mortality: male current 22.4 years, female current 24.4 years, male retired 24.0 years and female retired 26.3 years
- Commutation take up: pre 2008 scheme 25%, post 2008 scheme 63%

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 19.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. All officers and members have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Chris Malyon
Chief Finance Officer and S151 Officer
[date]

Councillor Michael Shellens
Chairman of the Audit and Accounts Committee
Signed on behalf of the Audit And Accounts Committee
[date]

APPENDIX VIII: AUDIT QUALITY

BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing all necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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