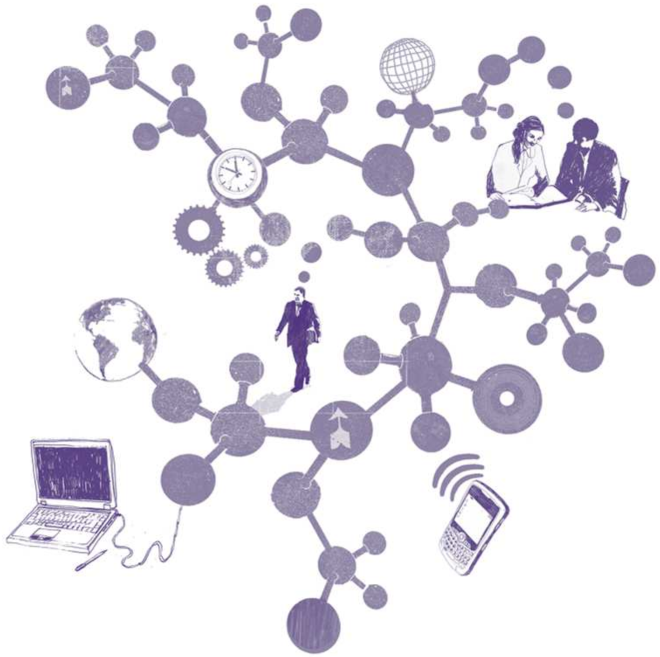
The Audit Findings Report for Cumbria Local Government Pension Scheme

Year ended 31 March 2014

September 2014



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed 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.

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key issues arising from the audit of Cumbria Local Government Pension Scheme's ('the Fund') financial statements for the year ended 31 March 2014. 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.

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Fund's financial statements present a true and fair view of the financial position, the financial transactions of the Fund during the year and whether they have been properly prepared in accordance with the Code of Practice on Local Authority Accounting.

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 11 March 2014.

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

- review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation; and
- updating our post balance sheet events review up to the date of signing the opinion, including the assessment of whether or not the recent market and currency movements emulating from the Scottish independence referendum represent a material non adjusting item.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the Fund's financial statements.

We received draft financial statements and accompanying good standard working papers at the start of our audit, in accordance with the agreed timetable.

We have not identified any errors which affect the funds financial or net asset position. There is one unadjusted classification error on the Fund Account and an accompanying note, which is not material but we are obliged to report as it is non-trivial. Again, this unadjusted error does not impact on the Fund Account net position.

We have identified a number of adjustments to the presentation of disclosure notes within the financial statements, mostly in the financial instruments disclosures. All of which have been amended.

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

- there is consistency in the disclosures within the financial instruments notes; and
- accounting policies are clear and consistent.

Further details are set out in section 2 of this report.

Acknowledgement

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

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Assurance Committee on 11 March 2014. We also set out the adjusted and unadjusted errors to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 11 March 2014.

Audit opinion

We anticipate that we will provide the Fund with an unmodified opinion. Our audit opinions are set out in Appendix B and Appendix C.

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 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.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	We have rebutted this presumption and therefore do not consider this to be a significant risk for Cumbria Local Government Pension Scheme since: • The nature of the Pension fund's revenue is in many respects relatively predictable and does not generally involve cash transactions. • The split of responsibilities between the Pension Fund, its Fund Managers and the Custodian, provides a clear separation of duties reducing the risk around investment income. • Revenue contributions are made by direct salary deductions and direct bank transfers from admitted /scheduled bodies and are supported by separately sent schedules and are directly attributable to gross pay making any improper recognition unlikely. • Transfers into the scheme are all supported by an independent actuarial valuation of the amount which should be transferred and which is subject to agreement between the transferring and receiving funds. Other related revenue recognition audit work, included • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual, significant transactions.	Our rebuttal presumption and other audit related work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	We have undertaken: • a review of accounting estimates, judgements and decisions made by management • testing of journals entries • a review of unusual significant transactions.	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

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
Investments	• Investments not valid • Alternative investments not valid • Investment activity not valid • Fair value measurements not correct	We have undertaken the following work in relation to this risk: • reviewed the reconciliation between information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for any variances • tested the valuation of a sample of the individual investments held by the Fund at the year end • the existence of investments has been confirmed directly with the independent custodian and property valuer or by agreement to relevant documentation.	Our audit work has not identified any significant issues in relation to the risk identified. We have identified some amendments to the financial instruments disclosures , but none that impact on the net asset statement. Details of the amendments are shown at page 12.
Benefit Payments	• Benefits improperly computed/ liability understated	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle covering new pensions in payment and associated lump sum benefits • walkthrough of the key controls to assess whether those controls are designed effectively • rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year together with comparing pensions paid on a monthly basis to ensure that any unusual trends have been satisfactorily explained. We have compared the movements on membership statistics to material transactions in the accounting records.	Our audit work has not identified any significant issues in relation to the risk identified .

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. The one recommendation, together with management response is attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Contributions	• Recorded contributions not correct	We have undertaken the following work in relation to this risk: • performed a test of controls on the Administering Authority's contributions monitoring procedures • substantively tested contributions deductions • rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends have been satisfactorily explained.	Our audit work has not identified any significant issues in relation to the risk identified.
Member data	• Member data not correct • Regulatory/scheme rules requirements not met	We have undertaken the following work in relation to this risk: • confirmation that the system of controls and reconciliations covers the determination of member eligibility, the input of evidence into the Pensions Administration System and the maintenance of member records • substantively tested changes to member data • reviewed the reconciliation of membership numbers for each category of member to previous year's figures via retirements, leavers and starters.	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & 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	• Contribution Income: normal contributions for both employee and employers and bulk transfers are accounted for on an accruals basis
	• Individual transfers to the scheme are recognised on a receipts basis
	• Investment Income: The Fund adopts several different recognition approaches dependent on the types of investment as disclosed within the statements.
		• Policy is consistent with the prior period, meets the requirements of the Code of Practice on Local Authority Accounting and is in line with the CIPFA's disclosure checklist and example accounts.
		• There is limited judgement involved in revenue recognition as a result of:
		  • contributions rates are known in advance via the triennial valuation of the scheme
		  • investment income following market trends and is overseen by the Custodian and transfers are subject to defined actuarial calculations
		  • there being agreement between the bodies.
		▪ Our testing has not identified any inappropriate revenue recognition.
			Green ●

Judgements and estimates	• Key estimates and judgements include: • pension fund valuations and settlements • investment valuation • Provisions.	• Policies are consistent with the prior period, meet the requirements of the Code of Practice on Local Authority Accounting and are in line with the CIPFA Disclosure checklist requirements and example accounts. • Judgements are made regarding the present value of promised retirement benefits, the fair value of investments and the ability of debtors to pay. The fund employs an independent actuary, valuer and custodian and uses previous experience of debt recovery to inform judgements made . • The valuation of the Fund's investment portfolio has been substantively tested to gain assurance that it is not materially misstated. • We have confirmed that the work of the actuary is in line with professional standards and regulation, and that they are a reliable source of estimation relating to the pension fund liabilities.	Green ●
Other accounting policies	• We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	• Our review of accounting policies highlighted some areas where accounting policies were missing, and some minor amendments made to ensure consistency in interpretation. Officers have made the relevant amendments and all are shown at page 12.	Amber ●

Assessment

- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements on the primary statements

There are no adjusted misstatements that affect the primary statement of the Net Asset Statement and Fund Account.

Misclassifications & 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	n/a	Note 2 - Accounting Policies	An accounting policy was added to explain the treatment of investments included in stock lending (and associated income).
2	Disclosure	n/a	Note 2.8 – Financial Assets	An accounting policy was added to explain the treatment of long term debtors.
3	Disclosure	72,910	Note 10(b) – Investment Properties	Disclosure of minimum lease payments for the rental agreements relating to the investment properties of the Fund was added.
4	Disclosure	54,228	Note 11a Valuation of Financial Instruments carried at fair value	Note 11(a) is the fair value hierarchy classification which is applicable to financial instruments measured at fair value. Within the disclosure note there are financial instruments not valued at fair value. Therefore cash deposits of £53,096k, current and long term assets for £9,399k and current and long term liabilities of -£8,267k should be excluded. The Fund has updated Note 11a to acknowledge that these items are not measured at fair value but have been included in the table to allow a reconciliation to Note 11.This is a disclosure note and the amendment does not impact on the primary statements.

Misclassifications & disclosure changes - continued

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
5	Mis-classification	5,578	Note 14 Nature & Extent of Risks Arising from Financial Instruments – Market Risk Sensitivity Analysis	The value of direct bank accounts holdings was omitted and there was inconsistency in the way that the BlackRock and Schroders cash unit trusts were reported in the market risk sensitivity risk note. When compared to the credit risk and interest rate notes, the classification of the cash unit trust as equities was incorrect as the classification should have been as cash and cash equivalents. The error was £5,578k in total and £13,615k in the mix of the note as follows: • UK equities amended from £464,720k to £458,565k, a reduction of -£6,155k • Overseas equities amended from £564,545k to £557,085k, a reduction of -£7,460k • Cash amended from £82,526k to £101,719k, an increase of £19,193k Although the total of the note is amended, this is a disclosure note only and does not affect the primary statements.
6	Mis-classification	40,569	Note 14 Nature & Extent of Risks Arising from Financial Instruments – Interest Rate Risk	£40,569k of money market funds were included in both the cash and cash equivalent figures as well as the money market funds and pooled cash vehicles figures, and are therefore double counted. The amendment reduced the cash and cash equivalents from £53,096k to £12,527k, a reduction of £40,569k. Although the total of the note is amended, this is a disclosure note only and does not affect the primary statements.
7	Disclosure	n/a	Note 17 – Capital Commitments	The note stated there were no capital commitments, but Note 10b Investment Properties noted a commitment to a new-build development in St Albans. Therefore the note was amended to include reference to the new-build scheme.
8	Disclosure	n/a	Note 22 Critical Judgements in Applying Accounting Policies and the use of Estimates and Uncertainties	The policy has been expanded to include more detail about the level 3 investment. The disclosure did not meet the requirements to disclose the inputs that may have a significant impact on the fair value of level 3 investments.
9	Disclosure	n/a	Various	Minor changes were made to the supporting notes to improve presentation and ensure consistency.

Unadjusted misstatements

The table below provides details of one adjustment identified during the audit which we request be processed, but which has not been made within the final set of financial statements. The Audit and Assurance Committee is required to approve management's proposed treatment of the item recorded within the table below:

	Detail	Fund Account £'000	Net Asset Statement £'000	Reason for not adjusting
1	Note 10 (d) reconciles the movements in total net investments for the current year. The disclosure note states that direct transaction costs are included in the cost of purchases and sales proceeds. Accounting standards do not allow the inclusion of directly attributable transaction costs for financial instruments held at fair value through profit and loss. Such transaction costs should be expensed Investment manager expenses would increase by £359,000 Change in market value of investments would increase by £359,000. The net affect on the Fund Account, if an adjustment was made, would be nil. There is no impact on the Net Asset Statement.	359	N/A	Pension Fund officers note that the inclusion of the transactions costs does not affect the overall financial position on the Fund Account, and is merely a classification adjustment between two entries within the statement.
	Overall impact	**Nil**	**N/A**	

Internal controls

The purpose of an audit is 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 reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

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 ●	**Journal Entry Controls** We have reviewed the Fund's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses, with the exception of the lack of journal authorisation controls, which may adversely impact on the Fund's control environment or financial statements. We have not identified any issues to date from our journals testing with the exception of the journal authorisation issue as journals are not authorised. The Fund is satisfied that other compensatory controls are in place to cover the lack of authorisation controls, such as e5 journal restrictions to finance staff and internal audit checks. From an audit perspective we still expect some form of journal authorisation in place even if it is operated at a batch level.	Introduce direct authorisation controls for journals.

Assessment

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

Other communication requirements

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

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit and Assurance Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A standard letter of representation has been requested from the Fund including a reference as to why the error as outlined on page 14 has been left unadjusted.
4.	**Disclosures**	• Our review found no material omissions in the financial statements.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed.
6.	**Going concern**	• Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis.

Section 3: Fees, non audit services and independence

Fees, non audit services and independence

We confirm below our final fees charged for the audit and providing assurance to other auditors agreed under the IAS19 protocol.

Fees

	Per Audit plan £	Actual fees £
Fund audit	24,620	24,620
Total audit fees	**24,620**	**24,620**

There is no variation in actual fee against the planned fee for the 2013-14 audit

Fees for other services

Service	Fees £
Providing assurance to other auditors agreed under the IAS19 protocol	2,040

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: Future developments

Developments relevant to your Pension Fund and the audit

Political	Environmental	Social	Technological
Developments relevant to the next financial year			
1. Financial reporting CIPFA has published best practice guidance relating to the identification and disclosure of administrative and investment management expenditure. This applies from 2014/15 and will enable consistent reporting across the LGPS facilitating more meaningful comparisons in this area. The definition is separated into three distinct categories of costs.	**2. Legislation** Under the Local Government Pension Scheme (LGPS 2014), pensions will be calculated on Career Average Revalued Earnings (CARE) rather than a final salary basis from 1 April 2014. Administering authorities will need to ensure their updated administration systems are calculating new pensions accruals correctly from 1 April 2014; dealing effectively with more complex data requirements and that new contribution rates are being correctly applied by employers.	**3. Actuarial valuation** Following the 31 March 2013 actuarial valuation all employers will need to consider the level of additional employer deficit contributions required and how to fund them.	**4. Other issues** The number of LGPS employers continues to grow as local authorities outsource services. Affected funds need to consider the impact this has on its exposure to risks and reflect on the impact this has for their investment strategies.
Developments relevant to future periods			
1. Financial reporting Changes to the Pension SORP may affect the investment disclosures in the Net Asset Statement and Fair Value determination (changing the classification from level 1, 2 & 3 to A, B & C). A revised SORP will be issued in 2014 and may find its way into the LG code in 2015/16.	**2. Legislation** From April 1 2015 The Pensions Regulator will have formal powers and responsibilities for oversight of the LGPS. This will include monitoring implementation of new governance arrangements, which require the creation of a scheme manager and pension board for each LGPS. The Administering Authority will need to determine how it will meet the requirement to have a pension board and the consequent changes it will need to make to its general governance arrangements.	**3. Structural reform** DCLG is consulting on the potential use of Collective Investment Vehicles and passive management of funds. The outcome of this consultation may lead to a change in administration of some schemes and significant changes in investment strategies.	**4. Other issues** The Pensions Regulator, Financial Conduct Authority and HMRC continue to commit resources to combat pension liberation schemes. More guidance and potential changes to HMRC registration of new schemes is likely.

Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

International Standards on Auditing (ISA) 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 the Audit Commission (www.audit-commission.gov.uk).

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. 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 Audit Commission and includes nationally prescribed and locally determined work. 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		✓
Compliance with laws and regulations		✓
Expected 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	Introduce direct authorisation controls for journals.	Medium	As part of the e5 upgrade programme in January 2012, the entry of journals into e5 is now restricted to Finance staff members. Supplementary evidence from the budget holders is maintained where appropriate. Internal Audit carried out testing in 2012/13 as part of its programme of independent assurance work and concluded that this is a sensible control that further helps to eliminate unauthorised journal entries. It also concluded that the key controls over e5 journals are operating effectively and, should they continue to operate in this manner, will provide reasonable assurance for the year. As reported to the Committee last year it is considered that the additional workload required to provide such additional authorisation is not justified by the residual risk.	No action proposed.

Appendix B: Audit opinion in Cumbria County Council's Statements

We anticipate that we will provide the Fund with an unmodified audit report within the Cumbria County Council financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUMBRIA COUNTY COUNCIL

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Cumbria County Council for the year ended 31 March 2014 under the Audit Commission Act 1998. 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 2013/14.

This report is made solely to the members of Cumbria County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Assistant Director - Finance and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Assistant Director - Finance 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the 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 fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director - Finance ; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited 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's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Jackie Bellard
Director for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
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25th September 2014

Appendix C: Audit opinion in Pension Fund's Annual Report

We anticipate that we will provide the Fund with an unmodified audit report within the Pension Fund Annual Report

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF CUMBRIA COUNTY COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2014, which comprise the Fund Account, the Net Assets Statement and the related notes.

This report is made solely to the members of Cumbria County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Assistant Director - Finance and the auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Assistant Director - Finance is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Cumbria County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We also 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 only: The Local Government Pension Scheme, Management and Financial Performance, Investment Policy and Performance, Actuarial Report on Funds, Funding Strategy Statement and Statement of Investment Principles.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Cumbria County Council for the year ended 31 March 2014 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Jackie Bellard
Director for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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25th September 2014