

The Audit Findings Report for the Surrey Pension Fund

Year ended 31 March 2017

July 2017

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Ciaran McLaughlin

Engagement Lead

T 020 7728 2936

E Ciaran.t.mclaughlin@uk.gt.com

Andy Conlan

Engagement Manager

T 07893 762 443

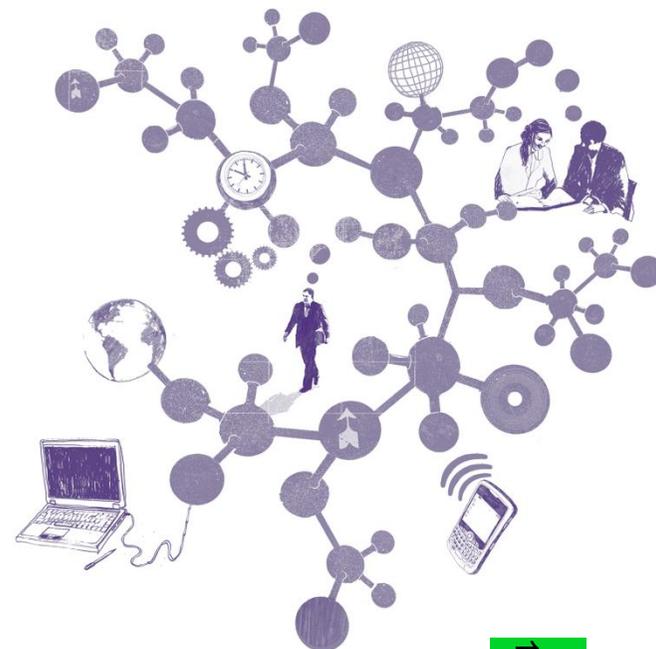
E andy.n.conlan@uk.gt.com

Keith Mungadzi

In-Charge Accountant

T 020 7728 2393

E keith.mungadzi@uk.gt.com



The Audit and Governance Committee
Surrey County Council
County Hall
Penrhyn Road
Kingston-Upon-Thames,
Surrey
KT1 2DN

18 July 2017

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

020 7383 5100
www.grant-thornton.co.uk

Dear Members of the Audit and Governance Committee

Audit Findings for Surrey Pension Fund for the year ending 31 March 2017

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of the Surrey Pension Fund, The Audit & Governance Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

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

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

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

Yours sincerely

Ciaran McLaughlin
Engagement Lead

Chartered Accountants

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Section 1: Executive summary

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01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of the Surrey 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 International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the Fund and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance. This includes the Narrative Report and the Pension Fund Annual Report.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 27th of March 2017.

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

- completion of investments triangulation testing;
- review of the final version of the narrative statement;
- review of the final version of the financial statements;
- completion of our final internal reviews;

- obtaining and reviewing the signed management letter of representation; and
- updating our post balance sheet events review, to the date of signing the opinion.

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

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

Key audit and financial reporting issues

Financial statements opinion

We have identified one adjustment affecting the Fund's reported net asset position in the draft financial statements. The draft financial statements for the year ended 31 March 2017 recorded net assets of £3,857,846k and the audited financial statements increase the value of the net assets by £11m. See page 18 for further details.

There were no significant issues arising from our work. A new Pension Fund Accountant was appointed during the year. The draft financial statements provided to audit were of a good quality, but with a number of minor disclosure issues coming out of our audit work. The accounts were supported by good working papers and we were pleased with level of support given by the finance team and their responsiveness to our queries. The finance team responded promptly and knowledgeably to audit requests and queries. This audit has demonstrated that the finance team is in a good position to manage the Pension Fund effectively and produce high quality financial statements going forward.

We have recommended a number of adjustments to improve disclosure and the presentation of the financial statements, further details of which can be seen within section two of this report.

We anticipate providing a unqualified opinion in respect of the Fund's financial statements.

Controls

Roles and responsibilities

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

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

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention. Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit have been discussed with the Director of Finance and the Strategic Finance Manager (Pension Fund and Treasury) for the Fund.

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
July 2017

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

This section summarises the findings of the audit, we report on the final level of materiality used and the work undertaken against the risks we identified in our initial audit plan. We also conclude on the accounting policies, estimates and judgements used and highlight any weaknesses found as part of the audit in internal controls. As required by auditing standards we detail both adjusted and unadjusted misstatements to the accounts and their impact on the financial statements.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £32,236k (being 1% of net assets from the prior year audited accounts). We have considered whether this level remained appropriate during the course of the audit and have revised our materiality upwards to take account of the increase in the Net Assets during 2016-17, which generates a revised materiality of £38,579k (still being 1% of net assets, this time from the draft 2016-17 Accounts).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £1,611k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation, which has thus increased to £1,929k.

As we reported in our audit plan, we did not identify any items where we decided that separate materiality levels were appropriate, and have made no changes to this assessment during the course of our audit.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA(UK&I)315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I)240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Surrey Pension Fund, we 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 • the culture and ethical frameworks of local authorities, including Surrey County Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Surrey Pension Fund.</p>	<p>Our audit work has not identified any material issues in respect of revenue recognition.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA(UK&I)240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have completed the following work in respect of this risk:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p>Level 3 Investments – Valuation is incorrect</p> <p>Under ISA(UK&I)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 completed the following work in respect of this risk:</p> <ul style="list-style-type: none"> We have updated our understanding of your process for valuing level 3 investment through discussions with relevant personnel from the Pension Fund during the interim audit. For a sample of private equity investments, tested valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31st March 2017 with reference to known movements in the intervening period. To 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. 	<p>Our audit work to date has not identified any significant issues in relation to the risk identified.</p> <p>We will provide an update to the Committee should any issues be identified from our remaining work detailed on page 5 of this report.</p>
4.	<p>Risk of Fraud in Expenditure Recognition</p> <p>Practice Note 10 requires us to consider the risk of material misstatement due to fraudulent financial reporting that may arise from manipulation of expenditure recognition, especially where the body is required to meet targets. Although we did not report on our assessment to you as part of our planning we have included it here in the interests of completeness and transparency.</p>	<p>Having considered the risk factors and the nature of the expenditure at Surrey Pension Fund, we have determined that the risk of fraud arising from the expenditure transactions can be rebutted:</p> <ul style="list-style-type: none"> incentive and opportunities to manipulate expenditure are very limited. the culture and ethical frameworks of local authorities, including Surrey Pension Fund, mean that all forms of fraud are seen as unacceptable. we are already reviewing unusual significant transactions, accounting estimates and journal entries in addressing the risk of management override of control above. 	<p>Subject to completion of our procedures as outlined on page 5 of this report, our audit work has not identified any issues in respect of revenue recognition.</p> <p>We will update the Audit and Governance Committee with the outcome of our work.</p>

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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. (Occurrence) Investment valuation not correct. (Valuation gross)	We have undertaken the following work in relation to this risk <ul style="list-style-type: none"> We performed substantive testing of material purchases and sales up to the time of our interim visit and agreed these to supporting documentation We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances Completed a predictive analytical review for different types of investments 	Our audit work to date has not identified any significant issues in relation to the risk identified. We will provide an update to the Committee should any issues be identified from our remaining work.
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 reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and asked management for explanations of variances Where necessary for additional assurance, we have tested a sample of level 2 investments prices from the custodian/ fund manager to independently obtained prices 	Our audit work to date has not identified any significant issues in relation to the risk identified. We will provide an update to the Committee should any issues be identified from our remaining work.
Contributions	Recorded contributions not correct (Occurrence)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> Completed controls testing over occurrence, completeness and accuracy of contributions to the scheme from the employees of Surrey County Council Tested a sample of contributions from Scheduled and Admitted bodies to source evidence to gain assurance over their accuracy and occurrence Trend analysis of scheme contributions across the year to assess the completeness of scheme contributions Rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained 	Our audit work to date has not identified any significant issues in relation to the risk identified. We will provide an update to the Committee should any issues be identified from our remaining work.

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • We have completed a walkthrough of controls identified and controls testing over completeness, accuracy and occurrence of benefit payments • Substantive tested of a sample of individual pensions in payment by reference to member file. • Trend analysis of benefit payments across the year to assess the completeness of benefit payments • We have rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily Explained 	Our audit work to date has not identified any significant issues in relation to the risk identified. We will provide an update to the Committee should any issues be identified from our remaining work.
Member Data	Member data not correct. (Rights and Obligations)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • We have performed a walkthrough of the controls identified in the cycle • We have completed controls testing over reconciliations and verifications with individual members • Sample tested changes to member data made during the year to source documentation 	Our audit work to date has not identified any significant issues in relation to the risk identified. We will provide an update to the Committee should any issues be identified from our remaining work.

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.

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Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>The financial statements include policies for recognition of the following:</p> <ul style="list-style-type: none"> • Investment income • Contribution income • Transfers in to the scheme <p>Revenue for the first two categories is recognised on an accruals basis, whilst for the third category it is recognised on a cash basis, with the exception of bulk transfers, which are accounted for on an accruals basis in accordance with the terms of the transfer agreement.</p>	<p>Review of your policies for revenue recognition confirms they are in line with the requirements of the CIPFA Code of Practice and cover all the expected areas in accordance with the Fund's activities.</p> <p>Our testing has confirmed that these policies have been correctly and consistently applied.</p>	<p> Green</p>
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> • Valuation of private equity and infrastructure investments • Pension Fund Liability 	<p>Our review of your key judgements disclosed in the draft financial statements has confirmed they are complete in accordance with our understanding of the Fund. Our testing has confirmed that the accounting policies in relation to these areas are in accordance with the CIPFA Code of Practice and have been correctly and consistently applied.</p>	<p> Green</p>
Going concern	<p>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.</p>	<p>We have reviewed officers' assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.</p>	<p> Green</p>

Assessment
 **Red** - Marginal accounting policy which could potentially attract attention from regulators
 **Amber** - Accounting policy appropriate but scope for improved disclosure
 **Green** - Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
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

 **Red** - Marginal accounting policy which could potentially attract attention from regulators policy appropriate and disclosures sufficient

 **Amber** - Accounting policy appropriate but scope for improved disclosure

 **Green** - Accounting

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 Governance Committee and have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Fund.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from your fund managers and custodian for investment balances and from your bank for your cash balances (outside of the cash held by your fund managers). All of these requests have been returned with positive confirmation.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material errors or omissions but we have requested management to make some minor amendments to further improve the clarity of the information included within the financial statements.
7.	Matters on which we report by exception	<ul style="list-style-type: none"> We are required to report by exception where the Pension Fund Annual Report is inconsistent with the financial statements. We have not identified any issues we wish to report.

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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 Investment Purchases and Sales, Investment Valuations – Levels 2 and 3, Contributions, Benefits Payable, and Member Data as set out on pages 11 to 13 within this report.

Based on our work to date, the controls have been found to be operating effectively and we have no matters to report to the Governance and Audit Committee. We will provide an update to the Committee should any issues be identified from our remaining work.

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p>Issue: New starter letters should be sent to all new members of the pension scheme and a full review of those instances where this did not take place during 2015/16 should be undertaken.</p> <p>Management response: A process review has been undertaken and an automated bulk process for generating new joiner letters has been initiated - process maps have been recorded as part of the Audit. The missing cases for 2015/16 have been identified as part of the process review and will be contacted as part of the bulk processing.</p>	<p>The new process has been in place since January 2017 and the missing 2015/16 cases have been contacted as a bulk exercise.</p>
2.	✓	<p>Issue: Our testing in 2015/16 identified accumulated unreconciled differences in the cash balance. Given the potential sensitivity of cash balances, unreconciled differences on cash balances should be fully adjusted on at least an annual basis.</p> <p>Management response: Fund manager and custodian cash balances are currently monitored on a quarterly basis. Management will ensure that any variances will be fully adjusted as part of a quarterly reconciliation.</p>	<p>A reconciliation of the cash balance is now carried out on a quarterly basis.</p> <p>The differences in the cash balance have now been reconciled for the 2016/17 year end.</p>

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Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted and unadjusted misstatements

We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. There were no adjusted or unadjusted misstatements identified as a result of our procedures.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
Misstatement	11,000	Note 17d Darwin Property Investment Management	The Fund incorrectly counted Darwin Fund £29m twice = £58m (as per Note 17d). The actual valuation for Darwin Fund should have been £69m as at 31 March 2017. Therefore, this means the Net Asset Statement is understated by £11m. This change also has an impact on various disclosures in the financial statements. Management have agreed to correct the error.

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
Disclosure	- 243,032 (Equities) 243,032 (Diversified Growth)	Note 17a Reconciliation of movement in investments and derivatives (Purchases)	Investments in Aviva and Ruffer made during the year was incorrectly categorised under Equities. This should have been included under Diversified Growth Purchases. This has now been corrected. This changes the market movements for each category of assets. This change has no net impact on the financial statements. This change has no net impact on the financial statements.
Disclosure	71,076 (Diversified Growth)	Note 17a Reconciliation of movement in investments and derivatives (Sales)	Surrey Pension Fund withdrew from Standard Life's SL SLI Global Focused Strategies in September 2016 (value of disposal was £71m). This Disposal was omitted in Note 17a under Sales for Diversified Growth. Therefore this means Sales was understated by £71m. This changes the market movements for Diversified Growth. This change has no net impact on the financial statements.
Disclosure	40,000 (Property Unit Trust)	Note 17a Reconciliation of movement in investments and derivatives (Purchases)	Surrey Pension Fund invested £40m in the Darwin Fund in March 2017, therefore this should have been shown under Purchases. Management have corrected this error and this changes the market movements for Property Unit Trust. This change has no net impact on the financial statements.
Disclosure	32,775 (Cash)	Note 17a Reconciliation of movement in investments and derivatives (Market Movements)	The Note had a market movements balance under cash which was unsupported. This has now been corrected by management. This change has no net impact on the financial statements.

Misclassifications and disclosure changes continued

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	- 11,119	Note 14 Investment and Governance Costs	The note incorrectly totalled oversight and governance costs for the financial year ended 2016/17 and note 14 was not consistent with the balance disclosed on the Fund Account. This disclosure error was corrected and did not affect the Fund Account.
2 Disclosure	3,387	Note 17a - Reconciliation of movement in investments and derivatives	The Borrowing amount was shown as being nil for the opening and closing market value, this should have been £7,501k and £3,387k respectively. This error was corrected and did not affect the Fund Account.
3 Disclosure	n/a	IFRS 13	Various notes and disclosures were added to the Pension Fund Accounts in order to meet the requirements of IFRS 13.
4 Disclosure	n/a	Various Account Balances and Disclosures	There were various presentation and disclosures amendments made to the financial statements as a result of our work.

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 per Audit Plan £	Actual fees £
Pension fund scale fee	27,105	27,105
Total audit fees (excluding VAT)	27,105	27,105

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

Independence and ethics

We provided no other services to Surrey Pension Fund during the 2016/17 year.

For the fees and services provided to Surrey County Council please see our Surrey County Council Audit Findings Report 2016/17 as presented to this meeting.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 4: Communication of audit matters

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Communication to those charged with governance

International Standards on Auditing (ISA) (UK&I) 260, as well as other ISA(UK&I)s, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

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

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code of Audit Practice.

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.

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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		✓

Appendix A: Audit opinion

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

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SURREY PENSION FUND

We have audited the pension fund financial statements of Surrey County Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Director of 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

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

statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts and Annual Governance Statement to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion:

- the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities; and
- the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts and Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

Ciaran McLaughlin
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

Date to be confirmed (2017)



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