

# The Audit Findings for Surrey Pension Fund

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Year ended 31 March 2019  
July 2019



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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 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Surrey Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2019 for those charged with governance.

<b>Financial Statements</b>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Pension Fund's financial statements:</p> <ul style="list-style-type: none"><li>• give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and</li><li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li></ul>	<p>Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 10. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Pension Fund's reported financial position. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix D) or material changes to the financial statements, subject to the following outstanding matters;</p> <p><i>Outstanding items include the following matters where we are awaiting information as at the date of writing this report in order to complete our work:</i></p> <ul style="list-style-type: none"><li>• A sample for our testing of benefits payables; and</li><li>• A small number of fund manager confirmations</li></ul> <p><i>We are still completing work in the following areas, in addition to those areas above where we are awaiting information:</i></p> <ul style="list-style-type: none"><li>• Complete our review of the IAS 26 actuarial valuation including the impact of McCloud and our work on the management and auditor's expert;</li><li>• Complete our review of financial Instruments;</li><li>• For a sample of level 3 investments check a sample back to audited accounts for the funds and review the nature and basis of estimated values;</li><li>• Processing the response to a sample of contributions receivable; and</li><li>• Processing the responses to our journals testing.</li></ul> <p><i>We are still to complete the following closing procedures, which are concluded at the end of the audit:</i></p> <ul style="list-style-type: none"><li>• Receipt of management representation letter;</li><li>• Receipt of confirmation whether there are no reportable post balance sheet events; and</li><li>• Review of the final set of financial statements.</li></ul> <p>Our anticipated audit report opinion will be unmodified.</p>
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## Acknowledgements

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.

# Summary

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

## Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you in April 2019

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 29 July 2019, as detailed in Appendix D.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan. Whilst net assets have increased by £259.7 million when compared with the 2017/18 figures that we used as a basis of our calculation of materiality in the audit plan, we felt it was prudent to keep materiality at the same level. We detail in the table below our determination of materiality for Surrey Pension Fund.

	Pension Fund Amount (£)
Materiality for the financial statements	40,000,000
Performance materiality	24,000,000
Trivial matters	2,000,000

# Significant findings – audit risks

## Risks identified in our Audit Plan

## Commentary

1

### Improper revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to improper recognition of revenue

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

### Auditor commentary

During our risk assessment, we considered the risk factors set out in ISA240 and the nature of the revenue streams at the council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because;

- 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 as the Administering Authority of Surrey Pension Fund, mean that all forms of fraud are seen as unacceptable.

Therefore we did not consider this to be a significant risk for Surrey Pension Fund.

We have not made any changes to this assessment reported to you in the Audit Plan.

We have performed our usual procedures on contributions and investment income and have not identified any issues to report.

2

### Management override of controls

Under ISA (UK) 240 there is non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk for both the group/Authority and Fund, which was one of the most significant assessed risks of material misstatement.

### Auditor commentary

We have:

- Evaluated the design effectiveness of management controls over journals
- Analysed the journals listing and determine the criteria for selecting high risk unusual journals
- Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- Gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence
- Evaluated the rationale for any changes in accounting policies or significant unusual transactions.

Based on the work completed to date, we have not identified any issues in respect of the risk of management override of controls.

# Significant findings – audit risks

## Risks identified in our Audit Plan

## Commentary

3

### The valuation of Level 3 investments

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

We have identified the valuation of Level 3 investments as a risk requiring special audit consideration.

### Auditor commentary

We have:

- gained an understanding of the Fund's process for valuing level 3 investments and evaluate the design of the associated controls;
- 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; and
- for all investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreed these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2019 with reference to known cash movements in the intervening period.

Based on the work completed to date, we have not identified any issues in respect of the valuation of Level 3 investments.

# Significant findings - Going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

## Going concern commentary

### Management’s assessment process

Management have reviewed the Fund’s funding position and cash flows.

### Auditor commentary

- The Pension Fund has sufficient assets to meet its liabilities as they fall due over the next 12 months. Local Government Pension schemes are effectively underwritten by the tax payer with deficits financed by increased contributions agreed with the actuary that are financed through Council and Admitted and Scheduled bodies contributions.
- There are no known plans for the Ministry of Housing, Communities and Local Government to wind up the Surrey Pension Fund.
- Next triennial valuation of the Fund is due to be completed in 2019 as at 31 March 2019 by the fund’s actuary and review of communications between the Council , Surrey PF and Actuary has not identified any going concern issues or difficulties.
- The Pension Fund continues to operate as usual in 2018/19. Contributions and investment income continue to be received as expected.

### Work performed

Detail audit work performed on management’s assessment

### Auditor commentary

- We have reviewed management’s assessment that the financial statements are prepared on a going concern basis.
- We are satisfied that there are sufficient assets to meet liabilities as they fall due. The last triennial actuarial valuation as at 31 March 2016 showed the funding level of 83% with a plan to achieve 100% solvency over the 20 years from that valuation.
- The fund continues to operate as usual.

### Concluding comments

### Auditor commentary

- We are satisfied that the Pension Fund Financial Statements are prepared on a Going Concern basis.

# Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p><b>Potential impact of the McCloud and GMP judgements</b></p> <p>The Court of Appeal has ruled that there was age discrimination in the judicial and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p> <p><b>Guaranteed Minimum Pension (GMP)</b></p> <p>The High Court ruled that defined benefit pension schemes must remove any discriminatory effect that guaranteed minimum pension entitlements have had on members benefits. GMPs must be equalised between men and women and that past underpayments must be corrected. This will lead to increased costs for sponsors of defined benefit schemes (ie the LGPS) that were contracted out of the State Second Pension in the period from 17 May 1990 to 5 April 1997.</p>	<p>Discussions are ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government Pension Schemes.</p> <p>The Council requested an estimate from its actuary of the potential impact of the McCloud and GMP ruling. The actuary's estimate was of a possible increase in pension liabilities of £22m. This increase also includes the impact of GMP equalisation.</p> <p>Management's view is that the impact of the ruling is material for Surrey Pension Fund so the disclosure of the present value of future retirement benefits will be updated in Note 25 to reflect the position including the impact of the McCloud judgement.</p>	<p>We have reviewed the analysis performed by the actuary, and considered whether the approach that has been taken to arrive at this estimate is reasonable.</p> <p>We are of the view that there is sufficient evidence to indicate that any liability related to the McCloud and GMP judgements is probable. Whilst the impact of the McCloud and GMP judgements is below our performance materiality, management have opted to update the disclosure to reflect it. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability.</p> <p>We have included this as a disclosure change within Appendix B.</p>

# Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
<b>Level 3 investments</b>	The Pension Fund has investments in hedge funds and unquoted equities that in total are valued on the balance sheet as at 31 March 2019 at £398,668k. These investments are not traded on an open exchange or market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management adjust the value of the hedge fund at their last audited financial statements for cashflows and use comparable valuation of similar companies for unquoted equities. The value of the investment has increased by £175,123k in 2018/19, largely due to market movements..	<p>We have assessed management's estimate by considering:</p> <ul style="list-style-type: none"> <li>• An assessment of management's expert</li> <li>• The appropriateness of the underlying information used to determine the estimate</li> <li>• The consistency of estimate against peers/industry practice</li> <li>• The reasonableness of increase in estimate</li> <li>• The adequacy of disclosure of estimate in the financial statements</li> </ul>	
<b>Level 2 Investment</b>	The Pension Fund have investments in unquoted bonds, foreign exchange derivatives, overseas bond options and pooled investments, that in total are valued on the balance sheet as at 31 March 2019 at £1,332,588k. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management use the average of broker prices, market forward exchange rates at year end, option price modelling, closing bid or single price. The value of the investment has decreased by £25,025k in 2018/19 due to market movements.	<p>We have assessed management's estimate by considering:</p> <ul style="list-style-type: none"> <li>• An assessment of management's expert</li> <li>• The appropriateness of the underlying information used to determine the estimate</li> <li>• The consistency of estimate against peers/industry practice</li> <li>• The reasonableness of increase in estimate</li> <li>• The adequacy of disclosure of estimate in the financial statements</li> </ul>	

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**Assessment**

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

# 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	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
3	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>Surrey County Council, as the administering authority of the Surrey Pension Fund voluntarily reported itself to the Pension Regulator for failing to provide all of their active and deferred members with annual benefit statements by the 31st August 2018 deadline..</li> </ul>
4	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Pension Fund, which is included in the Audit and Governance Committee papers. We have included a specific representation about the minimal assurance report from Internal Audit on Pensions Administration.</li> </ul>
5	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to your custodian, investment fund managers and banks. This permission was granted and the requests were sent. Most of these requests were returned with positive confirmation, however one request for controls gap letter for a fund manager has not been received so we have chased with management's support.</li> </ul>
6	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found material omissions in the financial statements. These are detailed in Appendix C.</li> </ul>
7	<b>Audit evidence and explanations/significant difficulties</b>	<ul style="list-style-type: none"> <li>All information and explanations requested from management was provided.</li> </ul>
8	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1<sup>st</sup> December 2019 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.</li> </ul>

# Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we disclose the following to you:

- Marcus Ward was the audit manager for Surrey Pension Fund up until May 2019. In May 2019, Marcus' father was appointed Leader of Waverley Borough Council. As discussed and agreed with PSAA, Grant Thornton UK LLP rotated Marcus Ward off the audit of Surrey County Council prior to the commencement of the final accounts audit of Surrey Pension Fund in order to mitigate against any perceived or actual threat to the independence of the audit team as regards the financial statements of Surrey Pension Fund for the year ended 31 March 2019.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed below.

## Audit and Non-audit related services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified which were charged from the beginning of the financial year to July 2019, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

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## Fees

We set out below our fees charged for the audit. We confirm there were no fees for the provision of non-audit or audit-related services. We have incurred additional fees during the year, from the consideration of the McCloud and GMP judgements and have been asked by auditors of the 11 Surrey districts to provide IAS 19 assurance letters, for which we charge £3,000 for doing the work and £500 for each assurance letter requested. We will confirm the final audit fee with management in August 2019 once the audit has been completed.

### Audit Fees

	Proposed fee (£)	Final fee (£)
<b>Pension Fund Audit</b>	20,871	TBC
<b>Total audit fees (excluding VAT)</b>	<b>20,871</b>	<b>TBC</b>



# Action plan

We have identified one of recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. 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.

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Assessment	Issue and risk	Recommendations
<p>1 <span style="color: yellow;">●</span></p>	<ul style="list-style-type: none"> <li>We completed our interim testing of member data of new starters in March 2019. We found that supporting documents such as evidence of sending out the welcome pack were not available due to a backlog of sending them out. When we returned to finalise our testing in July 2019 these were available. However, this shows that there has been delay of up to 4-6 months for supporting documentation to be uploaded to Altair. This supports the findings of an Internal Audit Report during 2018/19 into the pension fund administration which provided a minimal assurance opinion. Part of this was due to a large backlog of tasks that were incomplete.</li> </ul>	<ul style="list-style-type: none"> <li>Supporting evidence for changes to member data should be uploaded as soon as practically possible and a plan put in place to clear the back log of tasks.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>New Starter records are up to date on the pensions system and the New Starter process has been improved so that the risk of backlog is mitigated through improved reporting to management. The backlog found in fieldwork relates to welcome letters that are generated. A plan is in place to remove the backlog and is well progressed.</li> </ul>

**Controls**  
● High – Significant effect on control system  
● Medium – Effect on control system  
● Low – Best practice

# Follow up of prior year recommendations

We identified the following issues in the audit of Surrey Pension Fund's 2017/18 financial statements, which resulted in 2 recommendations being reported in our 2017/18 Audit Findings report. We have followed up on the implementation of our recommendations and note one is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p>①</p> <p>X</p>	<p><b>New starter members</b></p> <p>Not all members received letters to inform them of their enrolment to their pension scheme. This has been an issue since approximately July 2017. This process is to be started again due to new processes and procedures being in place.</p> <p>We recommended that the Pension Fund should Ensure new starters receive notification of their enrolment into the scheme.</p>	<p><b>Management Response</b></p> <p>The Trainee Team are now working through the backlog of new starter notifications. All those for whom we hold a postal address are being written to. For those we hold an e-mail address we are working with Heywoods to develop a bulk e-mail functionality out of the system. It should be noted that the majority of employers send out pensions correspondence with contracts that we don't necessarily have sight of. For members who joined prior to 31 March 2018 they would have received an ABS in August 2018 confirming their membership of the scheme and detailing their service history. We have a robust process now in place for any new joiners so a backlog will not build up again. Statutory Notifications are no longer supported by the system provider so are no longer sent.</p>
<p>✓</p>	<p><b>Leavers (members)</b></p> <p>Only 10 of the 25 leavers sampled had the expected documents (equite form and LG5.24 form) attached to their profiles. Therefore 15 people had no clear audit trail as to why they had been set as a leaver on the system.</p> <p>There should be a clear protocol to be followed by pension operations colleagues to ensure there is a clear audit trails as to why a member has been set as a leaver</p>	<p><b>Management Response</b></p> <p>Leaver tasks are created either by a leaver form being received or a bulk extract being received. Individual leaver forms will be saved to records but bulk extract cannot be as they contain data for multiple members so will be stored centrally. There are records that have leaver tasks set up due to being interfaced as a status 2 at year end but the employer has not sent in a leaver form yet.</p>

#### Assessment

- ✓ Action completed
- X Not yet addressed

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

We have not identified any adjusted misstatements with an impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

## Misclassification 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.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
<b>McCloud, GMP and IAS 26 disclosure</b>	As detailed in the Significant findings - other issues section on page 8, there may be a change in the disclosure of the IAS 26 Actuarial present value of promised retirement benefits in Note 25 due to an updated estimate from your actuary following the McCloud Adjustment.	<ul style="list-style-type: none"> <li>Management should use the updated estimate of the IAS 26 Actuarial present value of promised retirement benefits as at 31 March 2019 taking into account the findings from the McCloud judgement to update this disclosure.</li> </ul>	✓
<b>Outstanding commitments</b>	The disclosure of the outstanding commitments as at 31 March 2019 (note 19) was incorrect by £34m.	<ul style="list-style-type: none"> <li>The outstanding commitments note should be updated.</li> </ul>	✓
<b>Investments greater than 5% of net assets</b>	The calculation for the disclosure of the Investments greater than 5% of net assets (note 17 d)) was calculated on the percentage of net <i>investment</i> assets rather than net assets. The disclosure to be adjusted to 'net assets' rather than net investment assets, percentages to be recalculated on this basis.	<ul style="list-style-type: none"> <li>The disclosure should be corrected.</li> </ul>	✓
<b>IFRS 9 disclosures</b>	Some of the disclosures relating to investments and financial instruments had not been updated for the new terminology of IFRS 9 which was applicable for the first time this year.	<ul style="list-style-type: none"> <li>Management should review the disclosure requirements for new financial reporting standards and ensure draft accounts include all required disclosures and terminology.</li> </ul>	✓
<b>Assumptions made about the future and other major sources of estimation uncertainty</b>	A sensitivity analysis showing the impact of a 1% change on value of pension promise should be shown.	<ul style="list-style-type: none"> <li>Sensitivity analysis should be included in the statement of accounts</li> </ul>	✓
<b>Split of benefits</b>	The draft accounts did not include a split of benefits between normal, deficit, augmentation and additional classes.	<ul style="list-style-type: none"> <li>The benefits note should show analysis of benefits split between the different types/</li> </ul>	✓
<b>Borders to Coast Equity Alpha</b>	Further narrative explaining the nature of the Borders to Nature Equity Alpha is required.	<ul style="list-style-type: none"> <li>Further narrative should be added to the statement of accounts.</li> </ul>	✓

# Audit Adjustments

## Misclassification and disclosure changes (continued)

Disclosure omission	Detail	Auditor recommendations	Adjusted?
<b>Prior year figures</b>	A number of the 2017/18 figures for investment balances had been changed to match mapping that had changed for 2018/19. the prior year figures in the accounts should always match the audited financial statements unless there has been a prior period adjustment and restatement.	<ul style="list-style-type: none"> <li>2017/18 figures should match those in the audited 2017/18 accounts.</li> </ul>	✓

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
<b>1 Level 3 investments overstated</b>				Not considered material
DR Change in market value of investments	3,564			
CR Investment Assets		(3,564)	(3,564)	
<b>Overall impact</b>	<b>3,654</b>	<b>(3,654)</b>	<b>(3,654)</b>	

## Impact of prior year unadjusted misstatements

We have not identified any adjustments relating to the prior year audit which had not been made within the final set of 2017/18 financial statements.

# Audit opinion

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

## Independent auditor's report to the members of Surrey County Council on the pension fund financial statements of Surrey Pension Fund

### Opinion

We have audited the financial statements of Surrey Pension Fund (the 'pension fund') administered by Surrey County Council (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Executive Director of Resources has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

### Other information

The Executive Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### Responsibilities of the Authority, the Executive Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 16, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources. The Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the pension fund's 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Executive Director of Resources is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# Audit opinion

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's 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.

[Signature]

Ciaran McLaughlin, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
London

[Date]



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