

# The Audit Findings for Merseyside Pension Fund

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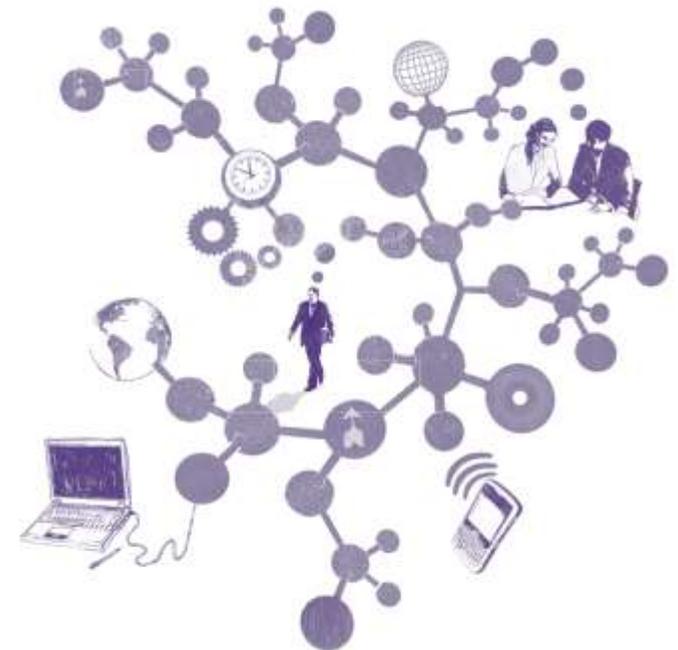
**Year ended 31 March 2017**

6 July 2017

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6 July 2017

Dear Members

**Audit Findings for Merseyside 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 Merseyside Pension Fund, the Audit and Risk Management 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 of the Pension Fund and the Pensions Committee.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. 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

**Grant Patterson**  
Engagement Lead

**Chartered Accountants**

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A Audit opinion

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# Section 1: Executive summary

**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 Merseyside Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the Fund.

## Introduction

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

Our audit plan assumed that investments categorised as Level 2 (based upon accounting standards and taking into account the *PRAG Practical Guidance: Investment Disclosures May 2016*) would not be material. Your review and restatement based upon the PRAG guidance resulted in Level 2 investments becoming material and we have undertaken enhanced procedures on these investments as a result of this change.

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

- Clearance of outstanding queries on investments and benefits payable
- 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, to the date of signing the opinion

## Key audit and financial reporting issues

### Financial statements opinion

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

We have not identified any adjustments affecting the Fund's reported financial position for the year ended 31 March 2017 of net assets of £8,178,485k. We have agreed a small number of disclosure adjustments to improve the presentation of the financial statements and annual report.

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

- Draft accounts were prepared and available for audit by 31 May 2017, one month ahead of the statutory deadline, and meeting the revised timetable that comes into effect in 2018.
- The accounts were prepared to a good standard with good supporting working papers. Our audit has not identified any significant amendments to the financial statements or annual report.
- We have agreed a small number of amendments to ensure disclosures are fully compliant with the requirements of the accounting standards.

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

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

## **Controls**

### **Roles and responsibilities**

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

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

### **Findings**

We draw your attention in particular to control issues identified through the work of Internal Audit in respect of pension payments, which identified some errors in the calculation of lump sum and pension payments. We considered the nature of these errors and concluded that there is no risk of material misstatement in the financial statements, and no indication of fraud.

We note that the fund has obtained and reviewed internal controls reports from the main mandate investment managers. This review identified some minor controls weaknesses, but review my management has concluded that non of the weaknesses have any significant implications for the fund. We have reviewed management's assessment and concluded this is reasonable.

Further details are provided within section two of this report.

## **The way forward**

Matters arising from the financial statements audit of the Fund have been discussed with the Director of Pensions and Group Accountant.

## **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**  
**6 July 2017**

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## Section 2: *Audit findings*

01. Executive summary

**02. Audit findings**

03. Fees, non audit services and independence

04. Communication of audit matters

# Materiality

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

As we reported in our audit plan, we determined overall materiality to be £78,000k (being 1% of net assets at 31 December 2016). We have considered whether this level remained appropriate during the course of the audit. Whilst net assets at 31 March 2017 were higher than at 31 December 2016, we determined that no change was required to our overall materiality.

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 £3,550k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Management expenses	We will consider the completeness of disclosures to within 15% of the reported amounts	Due to public and political interest in these disclosures.
Related party transactions	We will consider the completeness and accuracy of disclosures, taking account of materiality from the perspective of the fund and the related party	Due to public interest in these disclosures and the statutory requirement for them to be made.
Key Management Personnel	We will consider the completeness and accuracy of disclosures to within 15% of the reported amounts or £15,000 (whichever is lower)	Due to public interest in these disclosures and the statutory requirement for them to be made.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

# Audit findings against significant risks

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

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>The revenue cycle includes fraudulent transactions</b> Under ISA 240 there is a presumed risk that revenue may be misstated due to the 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.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Merseyside Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>▪ there is little incentive to manipulate revenue recognition.</li> <li>▪ opportunities to manipulate revenue recognition are very limited</li> <li>▪ the culture and ethical frameworks of local authorities, including Wirral Council as the administering authority, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>Management over-ride of controls</b> Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> <li>▪ Review entity level controls.</li> <li>▪ Review of accounting estimates, judgments and decisions made by management.</li> <li>▪ Testing of journal entries.</li> <li>▪ Review of unusual significant transactions.</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

# Audit findings against significant risks continued

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

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>Level 3 Investments (Valuation is incorrect)</b> Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<ul style="list-style-type: none"> <li>• We have updated our understanding of your process for valuing Level 3 investments through discussions with relevant personnel from the Pension Fund during the interim audit.</li> <li>• We have performed walkthrough tests of the controls identified in the process.</li> <li>• On a sample basis we have tested valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agree these to the fund manager reports at that date. In addition reconciling those values to the values at 31<sup>st</sup> march with reference to known movements in the intervening period.</li> <li>• Reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments.</li> <li>• For direct property investments agreed values in total to valuer's report and undertaken steps to gain reliance on the valuer as an expert.</li> </ul>	<p>Subject to clearance of the outstanding queries, our work has not identified any issues in respect of this risk.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Investment Income</b>	Investment activity not valid. Investment income not accurate. (Accuracy)	<ul style="list-style-type: none"> <li>For those investments managed by external fund managers and custodied with Northern Trust, we have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances</li> <li>For those assets not held by the custodian, we have reviewed the reconciliation of information provided by the fund managers and the Pension Fund's own records and sought explanations for variances</li> </ul> <p>For all assets:</p> <ul style="list-style-type: none"> <li>Tested a sample of investment income to ensure it was appropriate</li> <li>Completed a predictive analytical review for different types of investments</li> <li>For direct property investments rationalised income against a list of properties for expected rental income.</li> </ul>	Subject to the clearance of outstanding queries, our work has not identified any significant issues in respect of this risk.
<b>Investment purchases and sales</b>	Investment activity not valid. Investment valuation not correct	<ul style="list-style-type: none"> <li>For those investments managed by external fund managers and custodied with Northern Trust, we have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances</li> <li>For those assets not held by the custodian, we have reviewed the reconciliation of information provided by the fund managers and the Pension Fund's own records and sought explanations for variances</li> </ul> <p>For all assets:</p> <ul style="list-style-type: none"> <li>Tested a sample of purchases and sales to verify the occurrence and value of the transaction</li> </ul>	Subject to the clearance of outstanding queries, our work has not identified any significant issues in respect of this risk.

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

## Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Investment values – Level 2 investments</b>	<p>Valuation is incorrect. (Valuation net)</p> <p>We did not identify this risk in our audit plan due to Level 2 Investments not being material in prior years. In 2016/17 you have classified a material value of investments in Level 2.</p>	<ul style="list-style-type: none"> <li>For those investments managed by external fund managers and custodied with Northern Trust, we have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances</li> <li>For those assets not held by the custodian, tested a sample of Level 2 investments to independent information from custodian/manager on units and on unit prices.</li> </ul>	Our work has not identified any significant issues in respect of this risk.
<b>Contributions</b>	Recorded contributions not correct. (Occurrence)	<ul style="list-style-type: none"> <li>Controls testing over occurrence, completeness and accuracy of contributions</li> <li>Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence.</li> <li>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.</li> </ul>	Our work has not identified any significant issues in respect of this risk
<b>Benefits payable</b>	Benefits improperly computed/claims liability understated. (Completeness, accuracy and occurrence)	<ul style="list-style-type: none"> <li>Controls testing over, completeness, accuracy and occurrence of benefit payments.</li> <li>Tested a sample new starter pensions in payment by reference to member files.</li> <li>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.</li> <li>Confirmed the annual pension increase has been updated in the Altair system correctly</li> </ul>	Subject to the clearance of outstanding queries, our work has not identified any significant issues in respect of this risk.
<b>Member Data</b>	Member data not correct. (Rights and Obligations)	<ul style="list-style-type: none"> <li>Controls testing over annual/monthly reconciliations and verifications with individual members.</li> <li>Tested a sample of changes to member data made during the year to source documentation.</li> </ul>	Our work has not identified any significant issues in respect of this risk.

# Audit findings against other risks continued

## Going concern

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

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that the going concern assumption is appropriate.

## Fair Value Measurement Disclosures

The 2016/17 Accounting Code of Practice removes the scope exclusion on the disclosures for investments measured at fair value and introduces some new disclosure requirements in respect of Level 3 investments. We identified a small number of disclosures that did not appear to be fully compliant with the requirements of the Code.

Management considered the new disclosure requirements, specifically in respect of the requirements of paragraph 2.10.4.1 of the Code, as part of the accounts preparation and concluded that these new disclosures were not required because they were either already covered by existing disclosure in the accounts, or, in the case of quantifiable sensitivity disclosures, because consultation with industry experts indicated that the required sensitivity information was not readily available.

We have noted that paragraph 2.10.4.1 3(d) states that an authority is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the authority when measuring fair value but that (i) requires a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs. As noted above the Fund's current view is that it does not develop the unobservable inputs and the information is not readily available from its advisers and therefore it is not possible to fully comply with the Code at this time. We are satisfied that the omission of these disclosures is not significant to the overall presentation of the financial statements.

## Fair Value Hierarchy

Note 14 to the financial statements provides the Fair Value Hierarchy, which classifies asset valuations into three levels, according to the quality and reliability of information used to determine fair values. Following updated Pensions Research Accountants Group (PRAG) guidance (*PRAG Practical Guidance: Investment Disclosures May 2016*), the fund undertook a review of its fair value hierarchy classifications during 2016/17. Based upon this new information the fund has restated the disclosures for 2015/16.

Our testing of investment valuations has included consideration of the appropriateness of the classification in the fair value hierarchy and we are satisfied that the judgements made by management are reasonable.

# Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>Normal contributions are accounted for on an accruals basis, and employer deficit funding is accounted for on the due date set by the scheme actuary or on receipt if earlier than the due date.</li> <li>Income from equities is accounted for when the related investment is quoted ex dividend. Income from pooled investment vehicles and on short term deposits is accounted for on an accruals basis. Distributions from private equity are treated as a return of capital until the book value is nil and then treated as income on an accruals basis.</li> </ul>	<ul style="list-style-type: none"> <li>The revenue recognition policies are appropriate to the accounting framework and are adequately disclosed in the accounting policies.</li> </ul>	<p>● (Green)</p>
<b>Judgements and estimates</b>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>Valuation of unquoted investments within private equity, infrastructure property and other alternative investments.</li> </ul>	<ul style="list-style-type: none"> <li>We have undertaken testing on a sample of unquoted investments to assess the appropriateness of the valuation.</li> <li>The key estimates and judgements relating to the valuation of unquoted investments are appropriate to the accounting framework and are disclosed within the accounting policies.</li> <li>The potential financial statement impact of different assumptions is adequately disclosed in Note 15 to the accounts.</li> </ul>	<p>● (Green)</p>
<b>Going concern</b>	<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 are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.</p>	<p>● (Green)</p>
<b>Other accounting policies</b>	<p>We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention. The Fund's accounting policies are appropriate and consistent with previous years.</p>	<p>● (Green)</p>

## 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

## 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 Risk Management Committee and Pensions 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>From the work we carried out, we have not identified any 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>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.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>We have requested a standard letter of representation from the Fund.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested direct confirmations from the custodian and all main mandate fund managers, plus a sample of managers for alternative investments, for investment balances, income and purchases and sales.</li> <li>We have received confirmations from most managers and management are assisting us to chase those confirmations that remain outstanding.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
7.	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>

# Internal controls

As noted on page 6, we draw your attention in particular to control issues identified through the work of Internal Audit in respect of pension payments. Internal Audit tested a sample of 20 new pension payments and lump sum payments during 2016/17. In 2 of the cases tested, errors were identified in either the calculation of the lump sum payment or the first pension payment. We have considered the nature of these errors and concluded that there is no risk of material misstatement in the financial statements, and no indication of fraud.

	Assessment	Issue and risk	Management Response
1.		Errors in the calculation of lump sum payments and pension payments could result in losses to the fund, and under or overpayment to pensioners.	Management have identified planned actions to address the issues identified. The detailed Internal Audit Report and management response was considered by the Governance and Risk Working Party on 6 <sup>th</sup> July 2017

### Assessment

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

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.

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

## 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	Account balance	Impact on the financial statements
1 Disclosure	Note 5 - Estimation	The prior year figures for unquoted assets referenced in note 5 was incorrect in the draft accounts. This reference has been corrected to include the value of Direct Property investments.
2 Disclosure	Note 14 – Fair Value Hierarchy	The narrative note to explain the restatement of the 2015/16 Fair Value Hierarchy has been amended to quantify the impact of the restatement.
3 Disclosure	Various	A small number of minor amendments have been agreed to improve the overall presentation of the financial statements

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## Section 3: Fees, non-audit services and independence

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04. Communication of audit matters

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	36,882	36,882
Agreed fee variation – IAS 19 (TBC)	2,180	2,180
<b>Total audit fees (excluding VAT)</b>	<b>39,062</b>	<b>39,062</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). The fee variation for IAS19 has yet to be agreed with PSAA, and has not been billed.

## 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 confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Fund. No non-audit or audit related services have been undertaken for the fund.

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## Section 4: Communication of audit matters

01. Executive summary

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04. Communication of audit matters

# Communication to those charged with governance

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

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

## Respective responsibilities

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

We have been appointed as the 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 ('the Code') 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.

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, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

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# Appendices

**A. Audit Opinion**

# A: Audit opinion

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL**

We have audited the pension fund financial statements of Wirral 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 Head of Financial Services and auditor**

As explained more fully in the Statement of Responsibilities, the Head of Financial Services 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 Head of Financial Services; 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 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, other than liabilities to pay pensions and benefits after the end of the fund year; 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 for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

### **Grant Patterson**

for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Royal Liver Building, Liverpool L3 1PS

[Date]

**Independent auditor’s report to the members of Merseyside Pension Fund on the consistency of the pension fund financial statements included in the Merseyside Pension Fund annual report**

**Opinion**

The Merseyside Pension Fund financial statements of Wirral Council (the "Authority") for the year ended 31 March 2017 which comprise the fund account, the net assets statement and the related notes of Merseyside Pension Fund are derived from the audited pension fund financial statements for the year ended 31 March 2017 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying Merseyside Pension Fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

**Pension fund annual report - Pension fund financial statements**

The pension fund annual report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor’s report thereon is not a substitute for reading the audited Statement of Accounts and the auditor’s report thereon.

**Who we are reporting to**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(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 work has been undertaken so that we might state to the members of the Authority 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.

**The audited financial statements and our Report thereon**

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated [\*\*insert date of opinion on the financial statements in the Statement of Accounts\*\*].

**Head of Financial Services’s responsibilities for the pension fund financial statements in the pension fund annual report**

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer of the Authority is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

**Auditor's responsibility**

Our responsibility is to express an opinion on whether the pension fund financial statements in the pension fund annual report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Grant Patterson  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Royal Liver Building  
Liverpool  
L3 1PS

**[Date of the auditor’s report]**



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