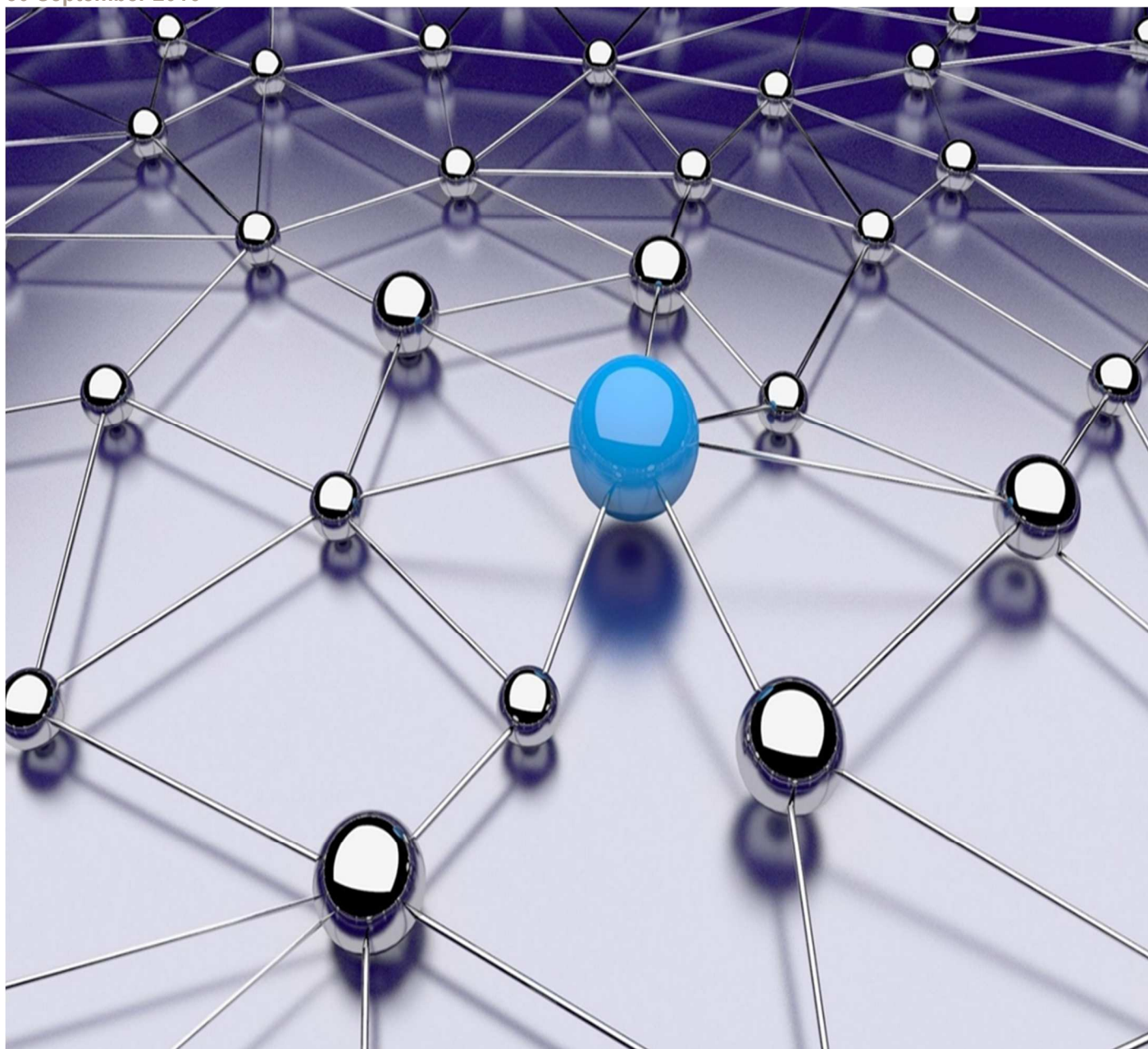


Audit Completion Report

Durham County Council Pension Fund – year ended 31 March 2016

30 September 2016



Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

Audit Committee Members
Durham County Council
County Hall
Durham
DH1 5UE

30 September 2016

Dear Members

Audit Completion Report – Year ended 31 March 2016

We are delighted to present our Audit Completion Report for the year ended 31 March 2016. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented on 17 May 2016. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks remain appropriate.

We would like to take this opportunity to express our thanks to your officers for their assistance during the course of our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6343 or cameron.waddell@mazars.co.uk.

Yours faithfully

Cameron Waddell
Partner and Engagement Lead
Mazars LLP

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Our reports are prepared in the context of the Statement of responsibilities of auditors and audited bodies issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and we take no responsibility to any member or officer in their individual capacity or to any third party.

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01 Executive summary

Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2016 to the Audit Committee of Durham County Council Pension Fund and forms the basis for discussion at the Audit Committee meeting on 30 September 2016.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance to fulfil our respective responsibilities;
- provide you with constructive observations arising from the audit process;
- ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Durham County Council Pension Fund; and
- receive feedback from yourselves as to the performance of the engagement team.

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) which means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement. Section 3 of this report includes our conclusions on the significant risks that we set out in our Audit Strategy Memorandum.

We also set out details of internal control recommendations in section 3 and a summary of misstatements discovered as part of the audit in section 4.

Status and audit opinion

We have substantially completed our audit of the financial statements for the year ended 31 March 2016.

At the time of preparing this report, the following matters remain outstanding:

- return on investments;
- review of the Pension Fund Annual Report; and
- completion of our review procedures.

We will provide an update to you in relation to the matters outstanding above by issuing a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing:

- an unqualified opinion, without modification, on your statement of accounts, to be included in the opinion issued on the Council's financial statements. Our proposed report is set out in Appendix B.
- an unqualified consistency report on the pension fund's financial statements, to be included in the annual report. Our proposed report is set out in Appendix C.

02 Significant findings

Set out below are the significant findings from our audit. These findings include:

- Our audit conclusions regarding the significant risks outlined in the Audit Strategy Memorandum.
- Our comments in respect of the accounting policies and disclosures in your financial statements. We have concluded that the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year.
- Any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

Management override of controls

Description of the risk

International Standards on Auditing 240 – *The auditor's responsibility to consider fraud in an audit of financial statement* (ISA 240) requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud.

In all entities, management at various levels within an organisation is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk by:

- reviewing accounting estimates affecting amounts included in the financial statements;
- reviewing and considering any significant transactions outside the normal course of business; and
- applying a risk based approach to journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

Valuation of unquoted investments for which a market price is not readily available

Description of the risk

As at 31 March 2016, the fair value of investments which were not quoted on an active market was £496 million, which accounted for 21% of the Fund's net investment assets. As prices for these investments are not quoted in active markets, the values used in the accounts are those provided by fund managers mostly based on Net Asset Value statements, although in some cases are based on forward looking estimates and judgements involving many factors. This results in an increased risk of material misstatement.

How we addressed this risk

In addition to our standard programme of work in this area we completed the following tests:

- reviewed the management controls in place to assess the reasonableness of the valuation;
- agreed holdings from fund manager reports to the global custodian's report;
- agreed the valuation to supporting documentation including investment manager valuation statements and cashflows for any adjustments made to the investment manager valuation;
- agreed the investment manager valuation to audited accounts. Where these were not available, agreed the investment manager valuation to other independent supporting documentation;
- where audited accounts were available, checked that they are supported by a clean opinion; and
- agreed the price to independent evidence, for those valuations not supported by valuation statement.

Audit conclusion

Fund managers estimate the value of unquoted investments based on the best available information of the year end value at the time the financial statements are prepared. At the time of audit, additional information was available to fund managers relating to the year-end value of investments which was not available at the time the financial statements were prepared. This timing issue is unavoidable due to the time constraints on fund managers providing information for inclusion in the financial statements.

The most recently available information was used to review the investments included in our sample testing, to allow us to ascertain whether the most up to date information highlighted a risk of material misstatement. For the sample tested, information provided by fund managers indicates a higher net asset value of £0.77 million than the estimates included in the financial statements. Our extrapolation indicates a potential difference of £0.83 million if the sample results were true for the whole population. We consider the extrapolation does not indicate a risk of material misstatement.

Actuary's report disclosure

Description of the risk

The funding arrangements disclosure note sets out the key elements of the funding policy and key information regarding the most recent triennial valuation as at 31 March 2013, including contributions to be paid by participating bodies to allow the fund to achieve 100% solvency over 18 years. While there are no accounting entries associated with this disclosure, the triennial valuation determines future employer contribution rates and the disclosure itself is material. The calculation of these figures can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. There is a risk of material misstatement due to high estimation uncertainty.

How we addressed this risk

In addition to our standard program of work we have:

- reviewed the management controls you have in place over the source data;
- considered the reasonableness of the actuary's output, using our expert's report on all actuaries nationally which is commissioned annually by the National Audit Office; and
- reviewed source data on a sample basis.

Audit conclusion

We have identified no matters to report arising from our work on the actuary's report disclosure.

Accounting policies and disclosures

We have reviewed Durham County Council Pension Fund's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting 2015/16.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Electors' rights to inspect the accounts

The Accounts and Audit (England) Regulations 2015 ('the regulations'), introduced new requirements in respect of publishing the financial statements and the period within which local electors may raise questions on the financial statements or make an objection to an item of account. For 2015/16 the administering authority set this period as 1 July 2016 to 11 August 2016. We received no questions or objections within this period relating to the pension fund.

03 Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

Other than as noted below, we have identified no matters to report. If we had performed more extensive procedures on internal control we might have identified additional deficiencies to be reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

The classification of investments in the BlackRock reports is different to that required by the Code. Officers were unaware of this until part way through the financial year when some misclassified investments were identified. These were corrected during the year. During the audit it became apparent that there were additional investments which were not classified in accordance with The Code at which point officers undertook an exercise to identify and correct all such investments. This resulted in significant amendments to the draft accounts, as detailed in section 4 of this report.

Going forward, officers plan to interrogate the quarterly reports in order to identify investments which require reclassifying prior to posting transactions to the ledger.

As part of our audit we completed a review of IT general controls, in conjunction with a review undertaken at Durham County Council. One issue was identified and reported to the Audit Committee on 29 July 2016 regarding change management which would be applicable to the Pension Fund.

04 Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level, are set out below. Table 1 outlines the identified misstatements which management has assessed as not being material, either individually or in aggregate to the financial statements, and does not currently plan to adjust.

Table 2 outlines the material misstatements that have been adjusted by management during the course of the audit.

There have also been material misstatements to the notes within the Pension Fund statements that have been adjusted by management. These are outlined in Table 3.

Table 1: Unadjusted misstatements 2015/16

		Fund Account		Net Assets Statement	
		Debit	Credit	Debit	Credit
		£'000	£'000	£'000	£'000
1	Debit: Investment assets	-	-	828	-
	Credit: Profit and losses on disposal of and changes in the market value of investments (CIMV)	-	828	-	-
	Difference between the estimated valuation of unquoted investments at 31 March 2016 included in the accounts and a later estimate of year end valuation using more up to date information available at time of audit, as detailed in the audit conclusion on the valuation of unquoted investments for which a market price is not readily available, on 5 of this report. The figure is extrapolated from the results of sample testing to the whole population. The actual difference identified is £777k. This would also affect the Fund Account and notes 14, 15 and 16 in the pension fund accounts.				
2	Debit: Short term investments	-	-	688	-
	Credit: Current liabilities	-	-	-	688
	Book overdraft on current accounts set off against short term investments in the accounts. This error would also affect notes 14, 15, 16 and 18 in the accounts.				

Table 2a: Adjusted misstatements 2015/16

		Fund Account		Net Assets Statement	
		Debit £'000	Credit £'000	Debit £'000	Credit £'000
1	Debit: Fund manager cash	-	-	17,111	-
	Debit: Derivative liabilities	-	-	27,360	-
	Debit: Fixed Interest Securities	-	-	19,289	-
	Credit: Derivative asset	-	-	-	44,471
	Credit: Pooled Investment Vehicles	-	-	-	19,289
Reclassification of BlackRock investments at 31 March 2016. This also affected the disclosure of investments in notes 14, 15 and 16.					

Table 2b: Adjusted misstatements 2014/15

1	Debit: Pooled Investment Vehicles	-	-	30,080	-
	Credit: Equities	-	-	-	30,080
Reclassification of BlackRock investments at 31 March 2015. This also affected the disclosure of investments in notes 14, 15 and 16.					

Table 3: Disclosure amendments

Note reference	Amendment
Note 14: Investments – Reconciliation of Movements in Investments 2015/16	<p>Material reclassification of BlackRock transactions:</p> <p>Fixed interest purchases - £17.193m increase</p> <p>Fixed interest sale proceeds - £27.596m increase</p> <p>Fixed interest CIMV - £10.403m increase</p> <p>Equity purchases - £4.651m decrease</p> <p>Equity sale proceeds - £3.907m decrease</p> <p>Equity CIMV - £0.744m decrease</p> <p>Pooled Investment Vehicle purchases - £12.721m decrease</p> <p>Pooled Investment Vehicle sale proceeds - £23.868m decrease</p> <p>Pooled Investment Vehicle CIMV - £11.147m decrease</p>

Table 3: Disclosure amendments

Note reference	Amendment
<p>Note 14: Investments – Reconciliation of Movements in Investments 2014/15.</p>	<p>Material reclassifications of BlackRock 2014/15 transactions and market values at 31 March 2015:</p> <p>Pooled Investment Vehicle purchases - £31.442m increase Pooled Investment Vehicle market value at 31.3.15 - £30.080m increase Pooled Investment Vehicle CIMV - £1.062m decrease Equity purchases - £31.442m decrease Equity market value at 31.3.15 - £30.080m decrease Equity CIMV - £1.062m increase</p>
<p>Note 14: Investments – Analysis of investments 2015/16</p>	<p>Material reclassifications of BlackRock investments at 31 March 2016:</p> <p>Overseas Corporate quoted – £19.289m increase Managed Property, non property, UK quoted - £77.739m increase Managed Property, non property, overseas quoted - £97.028m decrease</p>
<p>Note 14: Investments – Analysis of investments 2014/15</p>	<p>Material reclassifications of BlackRock:</p> <p>Overseas Corporate quoted – £30.669m increase Overseas – Public sector quoted - £30.669m decrease</p>

Appendix A – Draft management representation letter

Durham County Council Pension Fund - audit for year ended 31 March 2016

This representation letter is provided in connection with your audit of the statement of accounts for Durham County Council Pension Fund ('the Pension Fund') for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as interim Director of Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Pension Fund and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Pension Fund in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Pension Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as interim Director of Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I have disclosed to you the identity of the Pension Fund's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Pension Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the

going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Specific representation on unquoted investments

Unquoted investments are included in the net assets statement at the value provided by our fund managers which have been estimated in accordance with the guidelines used by the industry, and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have, with the valuations, and am not aware of any subsequent events that would have a material impact on the estimated value of the unquoted investments.

Yours sincerely

Interim Director of Resources

Date.....

Appendix B – Draft audit report

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

Opinion on the Authority financial statements

We have audited the financial statements of Durham County Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund 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 2015/16.

This report is made solely to the members of Durham County Council in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of Durham County Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the interim Corporate Director Resources and auditor

As explained more fully in the Statement of the interim Corporate Director of Resource's Responsibilities, the interim Corporate Director of Resource is responsible for the preparation of the Statement of Accounts, which includes the 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the 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 Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the interim Corporate Director of Resource; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Durham County Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 24, schedule 7 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Opinion on the Pension Fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. 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 2015/16.

This report is made solely to the members of Durham County Council in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of Durham County Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the interim Corporate Director of Resources and auditor

As explained more fully in the Statement of the interim Corporate Director of Resource's Responsibilities, the interim Corporate Director of Resources is responsible for the preparation of the Council's Statement of Accounts, which includes the Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the interim Corporate Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for my report.

Opinion on Pension Fund financial statements

In our opinion the Pension Fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and the amount and disposition of the fund's assets and liabilities as at 31 March 2016 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

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

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office, requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required to conclude whether the Authority has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the National Audit Office and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office, we are satisfied that, in all significant respects, *Durham County Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of

Certificate

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Cameron Waddell

For and on behalf of Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

30 September 2016

Appendix C – Draft consistency report

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

We have examined the pension fund financial statements for the year ended 31 March 2016, which comprise the Fund Account, the Net Assets Statement and the related notes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of Durham County Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the interim Director of Resources and the auditor

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

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Durham County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements.

We conducted our work in accordance with Auditor Guidance Note 07 Auditor Reporting issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Durham County Council for the year ended 31 March 2016 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Cameron Waddell

For and on behalf of Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

30 September 2016

Appendix D – Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum in April 2016 and therefore we remain independent.