

Durham County Council
Pension Fund

Audit Completion Report
Year ended 31 March 2013

September 2013

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Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. 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.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. Purpose of this document

This report includes the findings of our audit for the year ended 31 March 2013 and forms the basis for discussion at the Audit Committee on 30 September 2013.

Our communication with you is important in:

- sharing information to assist both the auditor and those charged with governance (i.e. Members of the Audit and Governance Committee) to fulfil their respective responsibilities;
- providing constructive observations arising from the audit process to those charged with governance;
- ensuring as part of the two-way communication process we, as external auditors, gain an understanding of the attitude and views of those charged with governance at Durham County Council (the Council) of the internal and external operational, financial, compliance and other risks which might affect the statement of accounts, including the likelihood of those risks materialising and how they are managed; and
- receiving feedback from those charged with governance on the performance of the engagement team.

2. Independence

As part of our on-going risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence. No

further threats to our independence have been identified since we issued our Audit Strategy Memorandum (see appendix 1).

3. Our audit approach

Our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board.

4. Overall conclusion, opinion and recommendations

At the time of issuing this report we anticipate issuing an unqualified opinion on your statement of accounts.

My work to review the Annual Report is on-going. I expect to complete all my work, including my final review procedures, before the Audit Committee on 30 September 2013. I will update the Committee as necessary as part of my oral report.

We ask the Audit Committee to:

- take note of the adjustments to the financial statements included in this report (Section 10); and
- approve the letter of representation (Appendix 2) on behalf of the Council before we issue our opinion and conclusion.

We would also like to take this opportunity to thank officers and Members for their continued co-operation and support in our first year of audit.

5. Limitations

Our audit procedures, which have been designed to enable us to express an opinion on the statement of accounts, have included the examination of the relevant transactions and controls. The International Standards on Auditing (UK and Ireland) do not require us to design audit procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Our audit included consideration of internal controls relevant to the preparation of the statement of accounts in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

6. Audit status

We have substantially completed our audit of the statement of accounts for the year ended 31 March 2013.

As at the time of preparing this report, the following significant matters remain outstanding:

- Completion of testing of the transition purchases and sales transactions; and

- Pension Fund Annual Report - the Pension Fund prepared its draft Annual Report in early September 2013. I have not yet completed my review and report on the financial statements included in the Annual Report.

I expect to report on the financial statements included in the Annual Report by 30 September 2013. I will provide an oral update on my work on the report to the Audit Committee on 30 September 2013.

We expect to be able to certify the closure of the 2012/13 audit by 30 September 2013. We have not received any objections to the Council's 2012/13 statement of accounts from electors and have no outstanding matters or correspondence with electors.

7. Significant risks identified during planning

Set out below are the significant risks from our Audit Strategy Memorandum. We paid particular attention to these risks in reducing the risk of material misstatement in the financial statements and the table below details how we addressed each risk and our conclusions.

Significant audit risks	How we addressed this risk	Audit conclusion
<p>Management override of controls</p> <p>Auditing standards state that management is in a unique position to perpetrate fraud, because of management’s ability to directly or indirectly potentially manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Whilst the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in <i>all</i> entities. It is therefore an inherent significant risk of material misstatement due to fraud.</p>	<p>We updated our understanding and evaluation of internal control procedures as part of our audit planning, including assessing the risk of fraud in the financial statements.</p> <p>We sought written assurances from the Audit Committee and management on their controls and processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to and report fraud. We challenged the responses against our cumulative knowledge of the Council and identified no significant omissions or issues.</p> <p>Our testing strategy included:</p> <ul style="list-style-type: none"> • general ledger journal testing; • consideration and review of material accounting estimates; • consideration and review of any unusual or significant business transactions; and • consideration of any other local factors. 	<p>Our testing has not identified any significant issues that we need to communicate to you.</p>

Significant audit risks	How we addressed this risk	Audit conclusion
<p>Valuation of unquoted investments</p> <p>The fair value of investments in the Net Assets Statement includes unquoted investments, the fair value of which totalled £244m (12.9% of total assets) as at 31 March 2013.</p> <p>The values of these investments are not quoted in an active market for securities and unitised investments. The values used in the accounts are those provided by fund managers based on forward looking estimates and judgements involving many factors.</p> <p>This results in an increased risk of material misstatement.</p>	<p>We have discussed the valuation of unquoted investments with key contacts involved and we have evaluated management controls over the valuation process.</p> <p>For investments managed by fund managers who fall within the remit of the global custodian, we have:</p> <ul style="list-style-type: none"> • agreed holdings from fund manager reports to the global custodian’s report; and • agreed the price to independent evidence. <p>For investments managed by Alliance Bernstein, who are not within the remit of the global custodian, we have:</p> <ul style="list-style-type: none"> • obtained a reconciliation of opening holding of units (and £) to closing holding of units (and £), taking account of purchases and sales during the year and agreed to quarterly reports from the investment managers; • agreed allocation of total fund allocated to DCCPF; and; • agreed the price to independent evidence. 	<p>Our testing has not identified any significant issues that we need to communicate to you.</p>

Audit findings

It is a requirement of ISA 260 that significant findings from the audit are communicated to those charged with governance.

Significant qualitative aspects of accounting practices

ISA 260 requires us to communicate with those charged with governance our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. This communication may include the matters set out below.

ACCOUNTING POLICIES

- The appropriateness of the accounting policies to the particular circumstances of the entity. Where acceptable alternative accounting policies exist, this communication may include identification of the financial statement items that are affected by the choice of significant accounting policies.
- Any changes in significant accounting policies, including the application of new accounting pronouncements.

ACCOUNTING ESTIMATES

- For items which estimates are significant, issues communicated could include: management's identification of accounting estimates, management's process for making accounting estimates, risks of material misstatement, indicators of possible management bias and disclosure of estimation uncertainty in the statement of accounts.

FINANCIAL STATEMENT DISCLOSURES

- The issues involved, and related judgements made, in formulating particularly sensitive financial statement disclosures (for example, disclosures related to revenue recognition, remuneration, going concern, subsequent events, and contingency issues).
- The overall neutrality, consistency and clarity of the disclosures in the statement of accounts.

Overall, we have no significant issues to highlight in respect of the qualitative aspects of your accounting practices. However, there have been a number of amendments to disclosures to enhance clarity and consistency. We have highlighted some areas for the Council to review in 2013/14 below.

Significant qualitative aspects of accounting practices

The Council is aware that project management of the statement of accounts production is important. The Council continues to monitor the closedown timetable and review processes to see if there are any areas for improvement.

Focusing work on the following two areas may help reduce the amendments to disclosures (and the number of audit queries):

- developing further the Council's own quality assurance review of the draft statement of accounts (in the context of the challenging timetable); and
- carrying out a more detailed analytical review of the primary statements.

8. Internal control

We are required to report to you any significant deficiencies in the accounting and internal controls systems identified during the course of the audit.

We have no issues to report in this respect.

There are no other recommendations in respect of internal controls, noting the recommendations included under the previous section in respect of qualitative issues.

The purpose of our audit was to express an opinion on the statement of accounts. As part of our audit we have considered the internal controls in place relevant to the preparation of the statement of accounts, in order to design audit procedures to allow us to express an opinion on the statement of accounts, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our audit and that we consider are of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported.

9. Adjusted and unadjusted misstatements

We are required to bring to your attention the significant misstatements found during the course of audit that have been corrected and those that have not been corrected, unless they are clearly trivial. In summary;

- there are no significant unadjusted misstatements (either cumulative or individually); and
- there has been one material adjustment which impacts only on the analysis within the creditors note to the Net Assets Statement.

Significant adjusted misstatements are summarised in the table below. In addition to these, there were also a number of minor presentational amendments made to disclosure notes.

Adjusted misstatements					
		Fund account		Net assets statement	
		Dr	Cr	Dr	Cr
		£'000	£'000	£'000	£'000
1	Payments to and on account of leavers	1,358			
	Transfers in from other pension funds		1,358		
Being amendment to disclosure of the net payment made to Teesside Pension Fund relating to two separate group transfers was disclosed in the accounts. This adjusts the entries to show both the TV out and the TV in to Durham Pension Fund from Teesside Pension Fund.					
2	Creditors -central government departments			38,889	
	Creditors – other entities				38,889
Being misclassification between central government creditors and Other entities					

Adjusted misstatements				
3	Creditors - central government departments		1,343	
	Creditors - other local authorities			1,343
Being misclassification between central government creditors and Other local authorities.				
4	Creditors - central government		39,881	
	Creditors - other entities			39,881
Misclassification between central gov creditors and Other entities				
5	Note 16 - Valuation of FI carried at FV - Level 2		202,768	
	Note 16 - Valuation of FI carried at FV - Level 1			202,768
Misclassification of unquoted investments in Valuation of Financial Instruments Carried at Fair Value note.				
6	Note 16 - Valuation of FI carried at FV - Level 1		29,874	
	Note 16 - Valuation of FI carried at FV - Level 3			29,874
Misclassification of quoted investments in Valuation of Financial Instruments Carried at Fair Value note.				
7	Note 16 - Valuation of FI carried at FV - Level 2		480,022	
	Note 16 - Valuation of FI carried at FV - Level 3			480,022
Misclassification of Aquila fund in Valuation of Financial Instruments Carried at Fair Value note.				

Appendices

Appendix 1 – Independence

We confirmed our compliance with relevant ethical standards regarding independence in our Audit Strategy Memorandum. However independence is an on-going consideration and, as such, we monitor it throughout the audit process. No new issues arose during the audit which could be perceived as a threat to our independence.

Appendix 2 – Management Representation

To:

Cameron Waddell
Director
Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

Durham County Council - audit for year ended 31 March 2013

This representation letter is provided in connection with your audit of the financial statements of Durham County (the Council) for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code).

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 financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and relevant legislation and International Financial Reporting Standards.

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 financial statements 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 Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer 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 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 Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council'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 Council 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 Council 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 Code and relevant legislation and International Financial Reporting Standards (IFRSs).

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.

I confirm the Council has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Corporate Director 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 financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council's financial statements 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 Council's financial statements 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 Code and relevant legislation and International Financial Reporting Standards.

I have disclosed to you the identity of the Council'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 Code, relevant legislation and International Financial Reporting Standards 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.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Going concern

To the best of my knowledge there is nothing to indicate that the Council 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 financial statements.

Specific representations

I confirm the following specific representations:

Signed

For and on behalf of Durham County Council.

Appendix 3a – Draft audit report on the Council’s financial statements

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 2013 under the Audit Commission Act 1998. 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 2012/13.

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

Respective responsibilities of the Corporate Director Resources and auditor

As explained more fully in the Statement of the Corporate Director Resources’ Responsibilities, the Corporate Director Resources 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, 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 Corporate Director Resources and the overall presentation of the financial statements. In addition, we read all the financial and non-financial

information in the explanatory foreword to identify material inconsistencies with the audited financial statements. 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 2013 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 2012/13.

Opinion on other matters

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

Matters on which we report by exception¹

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 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

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 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

Respective responsibilities of the Corporate Director Resources and auditor

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

Scope of the audit of the 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 Corporate Director Resources and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for my report.

Opinion on 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 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

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 5 of the Audit Commission Act 1998 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 Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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 have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 1 November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. 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 criteria published by the Audit Commission on 1 November 2012, we are satisfied that, in all significant respects, Durham County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Cameron Waddell

For and on behalf of Mazars LLP, Appointed Auditors

Appendix 3b – Draft audit report on the Pension Fund Annual Report

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

Opinion on the pension fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. This report is made solely to the members of Durham County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Corporate Director Resources and auditor

As explained more fully in the Statement of the Corporate Director Resources Responsibilities, the Corporate Director Resources is responsible for the preparation of the pension fund's financial statements and for being satisfied that they give a true and fair view. My 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 me 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 Corporate Director Resources; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my 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 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In my opinion, the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if, in my opinion the governance compliance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. I have nothing to report in this respect.

[Signature]

Cameron Waddell

For and on behalf of Mazars LLP, Appointed Auditors

Appendix 4 – Required communication

ISA 260 ‘Communication with Those Charged with Governance’ and ISA 265 ‘Communicating Deficiencies in Internal Control to Those Charged with Governance and Management’ requires the auditor to communicate a number of matters with those charged with governance (i.e. Members of the Audit Committee). These are set out below along with our approach.

Required communication	When and how we will communicate
<p>Respective responsibilities of auditor and those charged with governance.</p> <p>Our responsibility for performing the audit is in accordance with International Standards on Auditing (UK and Ireland), which is directed towards forming and expressing an opinion on the statement of accounts.</p> <p>The audit of the statement of accounts does not relieve management or those charged with governance of their responsibilities.</p>	<p>This information was included in the Audit Strategy Memorandum.</p>
<p>Communication of the planned scope and timing of the audit.</p> <p>Matters communicated include:</p> <ul style="list-style-type: none"> ▪ significant audit risks and how we will address them; ▪ our approach to internal control relevant to the audit; ▪ the application of the concept of materiality in the context of an audit; ▪ our use of the work of internal audit; ▪ your approach to internal control and how you oversee the effectiveness of internal control procedures; ▪ the attitude, awareness and action of those charged with governance concerning the detection or possibility of fraud; and ▪ your response to new accounting standards, corporate governance practices and related matters. 	<p>This information was included in the Audit Strategy Memorandum.</p>

Required communication	When and how we will communicate
<p>Our views on significant qualitative aspect of accounting practices including accounting policies, accounting estimates and financial statement disclosures.</p> <p>When applicable, why we consider a significant accounting practice not to be appropriate to the entity.</p>	<p>Section 9 of this report.</p>
<p>Significant difficulties, if any, encountered during the audit.</p> <p>Significant difficulties encountered during the audit may include such matters as:</p> <ul style="list-style-type: none"> ▪ significant delays in management providing required information; ▪ an unnecessarily brief time within which to complete the audit; ▪ extensive unexpected effort required to obtain sufficient appropriate audit evidence; ▪ the unavailability of expected information; ▪ restrictions imposed on the auditor by management; and ▪ management’s unwillingness to make or extend its assessment of the entity’s ability to continue as a going concern. 	<p>No significant difficulties were encountered.</p>
<p>Details of significant matters discussed with, or subject to correspondence with management.</p>	<p>No significant matters.</p>
<p>Details of written representations we require for our audit.</p>	<p>Appendix to this report.</p>
<p>Any other matters which we consider to be significant to the oversight of the financial reporting process.</p>	<p>No significant matters.</p>
<p>Statement that the engagement team and the firm have complied with relevant ethical requirements regarding independence.</p> <p>Written disclosure of relationships which have a bearing on our independence and</p>	<p>The Audit Strategy Memorandum and appendix 1 of this report.</p> <p>No non-audit services have been provided and there has been no change to</p>

Required communication	When and how we will communicate
safeguards we have put in place, details of non-audit services provided and written confirmation of our independence.	the original 2012/13 planned audit fee of £144,180.
Form, timing and general content of communications.	We issue this Audit Completion Report along with reports during the year (Audit Strategy Memorandum and regular Audit Progress Reports), regular meetings with senior officers and meetings with those charged with governance (Members) as required. Should you require us to communicate in a different way please let us know.
<p>Our evaluation of the adequacy of the communication process between ourselves and those charged with governance. This may include observations on:</p> <ul style="list-style-type: none"> • the appropriateness and timing of action taken by you in response to matters we have raised the openness of your communication with us; • your willingness and capacity to meet with us without management being present; • your opportunity to fully comprehend matters we have raised; • the extent to which you probe issues raised and our recommendations; • any communication we have had in establishing with you the form, timing and general content of communications; • your awareness of how our discussions impact on your governance and management responsibilities and whether your communication with us meets legal and regulatory requirements. 	We are satisfied with the adequacy of two-way communication; i.e. between ourselves and those charged with governance or management.
Any significant deficiencies and other control recommendations in respect of internal control that we have identified during the audit.	Section 10 of this report.