

## Appendix 2

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30 September 2014

Dear Members

### Conclusion of pending matters – Durham County Pension Fund Audit Completion Report

As required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that are marked as outstanding on page 2 of our Audit Completion Report which we will be presenting to the Audit Committee on 30 September 2014.

The outstanding matters and the conclusions reached are detailed in the table below.

Outstanding matter	Conclusion reached
Review of events after balance sheet date	In the period since 31 March 2014, key members of one of the investment manager teams announced their resignations. As a result of this announcement, pension fund officers have decided to transfer the investments managed by this investment manager to a new investment manager offering a similar product. Officers did not consider this to be a post balance sheet event requiring disclosure in the financial statements, as it did not impact on the value of the investments held. As part of our audit processes we completed additional audit procedures which provided assurance that the officers' conclusion in this respect was reasonable.

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<b>Outstanding matter</b>	<b>Conclusion reached</b>
<p>Completion of our review procedures and checking the revised statement of accounts.</p>	<p>The revised statements have been checked and agreed.</p> <p>Adjustment 1 in our Audit Completion Report regarding investments reclassified from unquoted to quoted investments also resulted in reclassifications of the same value from level 2 to level 1 in the Financial instruments note 17.</p> <p>An adjustment has also been made to note 17 to reclassify an investment with a value of £11.939m from level 2 to level 3.</p> <p>The amount included in adjustment 4 in our Audit Completion Report was incorrect. The amendment was for an amount of £18.387m (comparative £39.881m).</p> <p>There is one unadjusted misstatement which was not included in our Audit Completion Report. An investment purchase to the value of £2.339m with a trade date of 1 April 2014 has been included in the accounts as at 31 March 2014. This means that investment assets are overstated by this value with a corresponding understatement in fund manager cash. This will have no impact on the total value of investments held at 31 March 2014.</p>
<p>Annual report checking</p>	<p>Testing completed and no matters to report to members.</p>

If you wish to discuss these or any other points discussed at the meeting then please do not hesitate to contact me or Catherine Banks. ([Catherine.Banks@mazars.co.uk](mailto:Catherine.Banks@mazars.co.uk)).

Yours sincerely

**Cameron Waddell**

Director

cc Mr Don McLure, Corporate Director Resources