

Annual Audit Letter

Durham County Council and Durham County
Council Pension Fund
Year ending 31 March 2018





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1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Durham County Council ('the Council') and Durham County Council Pension Fund ('the Pension Fund') for the year ended 31 March 2018. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our report, issued on 31 July 2018, included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council and Pension Fund's financial position as at 31 March 2018 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 2017/18.
Other information published alongside the audited financial statements	<p>Our report included our opinion that: the other information in the Statement of Accounts is consistent with the audited financial statements.</p>
Value for money conclusion	<p>Our report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.</p>
Reporting to the group auditor	<p>On 31 July 2018 we reported to the group auditor in line with the requirements applicable to the Council's WGA return.</p>
Statutory reporting	<p>Our report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council. The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have received no questions or objections.</p>
Audit of the financial statements included in the Pension Fund Annual Report	<p>On the 31 July we issued our opinion that the Pension Fund financial statements within the Pension Fund Annual Report are consistent with the full Annual Statement of Accounts of Durham County Council.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS: DURHAM COUNTY COUNCIL

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2018 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit Committee. We call this our trivial threshold.

The table below provides details of the overall materiality levels applied for the year ended 31 March 2018:

Financial statement materiality	Our financial statement materiality is based on 2% of Gross Operating Expenditure.	£24.246m
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£0.727m

2. AUDIT OF THE FINANCIAL STATEMENTS: DURHAM COUNTY COUNCIL

Our response to significant risks and key management judgement

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p>Management override of controls</p> <p>In all entities, management at various levels within an organisation are 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. Because of 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.</p>	<p>We addressed this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates impacting on amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; • selection and application of accounting policies; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>Our work provided the assurance we sought and did not highlight any material issues.</p>
<p>Revenue Recognition</p> <p>In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Council's range of revenue sources, we have concluded that there are insufficient grounds for rebuttal in 2017/18. We have identified income from fees and charges as the key areas for audit testing. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p>	<p>We addressed this risk by performing audit work that included:</p> <ul style="list-style-type: none"> • substantive testing of revenue items recorded around year end to ensure they have been recognised in the appropriate year; • testing year end debtors; • testing adjustment journals; and • obtaining direct confirmations of year-end bank balances and testing the reconciliations to the ledger. 	<p>Our work provided the assurance we sought and did not highlight any material issues.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS: DURHAM COUNTY COUNCIL

Our response to significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p>Property Valuations</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE.</p> <p>Although the Council employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE because of the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of risk.</p>	<p>We addressed this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> • consideration of the Council's arrangements for ensuring that PPE values are reasonable; • assessing the competence, skills and experience of the Valuer and the instructions issued to the Valuer; and • consideration the data provided by our consulting Valuer, Gerald Eve, as part of our assessment of the reasonableness of the valuations provided by the Council's Valuer; • performing audit procedures on individual assets to ensure the basis of valuations was appropriate 	<p>Our consideration of the Gerald Eve report and local build indices indicated material movements in some assets not valued in the year as part of the rolling programme. In particular Children and Young People's Services school assets last valued on 1 April 2016. Our findings led to the need for material adjustment to the Statement of Accounts.</p>
<p>Defined benefit liability valuation</p> <p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We addressed this risk by performing audit work on:</p> <ul style="list-style-type: none"> • the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and • the reasonableness of the Actuary's assumptions that underpin the relevant entries made in your financial statements, through the use of an expert commissioned by the National Audit Office. 	<p>Our work provided the assurance we sought and did not highlight any material issues.</p>

Our response to the key management judgement

Identified management judgement	Our response	Our findings and conclusions
<p>Depreciation of Property, Plant and Equipment</p> <p>Property, Plant and Equipment is depreciated over its useful life in the financial statements</p>	<p>We tested the underlying calculation of depreciation to ensure it was reasonable</p>	<p>Our work provided the assurance we sought and did not highlight any material issues to bring to your attention.</p>

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2. AUDIT OF THE FINANCIAL STATEMENTS: DURHAM COUNTY COUNCIL

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. The table below provides an update on internal control points raised in the prior year. We identified no other deficiencies in internal control as part of our audit.

Description of deficiency	Our IT user access testing for leavers in 2016/17 identified one case where an individual employee still had access to Council IT systems after their leaving date. This occurred as the HR Turnover sheet, used to record leavers, had additional leavers added to the list after it was provided to the ICT team. The ICT team had already reviewed the list and created the ITBM call (which created the deactivation list) for that week. This meant the individual was not processed as a leaver in a timely manner
Potential effects	Leavers are not deactivated in a timely manner, meaning that inappropriate access to business critical systems would be possible
2017/18 update	Our 2017/18 testing noted three leavers (from our sample of 25) who still had system access after their leave date. In all three cases we confirmed that the leaver had not accessed the network, or any business critical system, following their leave date
Management response	ICT are notified of all leavers via a scheduled report generated by the HR Operations and Data Team. There can be a slight delay in leavers being entered onto the HR IT system as the team may not have been notified by the manager until after they have left and the current process is linked to payroll deadlines. However we are reviewing our systems as part of the HR IT system development which will mean leavers dates will be entered at the point of a manager submitting a resignation and ICT will be informed immediately by an electronic alert rather than waiting for the scheduled report. However, with immediate effect ICT will as per the recommendation make a record of which member of the team has deactivated the leaver and on what date.

2. AUDIT OF THE FINANCIAL STATEMENTS: DURHAM COUNTY COUNCIL PENSION FUND

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Pension Fund and whether they give a true and fair view of the Pension Fund's financial position as at 31 March 2018 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Pension Fund's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit Committee. We call this our trivial threshold.

The table below provides details of the overall materiality levels applied for the year ended 31 March 2018:

Financial statement materiality	Our financial statement materiality is based on 1% of net assets available to pay benefits.	£28.02m
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£0.84m
Specific materiality	Fund account based on 10% of contributions receivable.	£15.64m

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2. AUDIT OF THE FINANCIAL STATEMENTS: DURHAM COUNTY COUNCIL PENSION FUND

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Pension Fund's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p>Management override of controls</p> <p>In all entities, management at various levels within an organisation are 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. Because of 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.</p>	<p>We addressed this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates impacting on amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>Our work provided the assurance we sought and did not highlight any material issues.</p>
<p>Valuation of unquoted investments for which a market price is not readily available</p> <p>As at 31 March 2018, the fair value of investments which were not quoted on an active market was £158 million, which accounted for 6% 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 estimated by fund managers, mostly based on Net Asset Value statements, updated for cash movements where appropriate. This results in an increased risk of material misstatement.</p>	<p>In addition to our standard programme of work in this area we have:</p> <ul style="list-style-type: none"> • agreed holdings from fund manager reports to the global custodian's report; • agreed the valuation to supporting documentation including investment manager valuation statements, distribution and capital statements and audited accounts, where available; • where audited accounts were available, we checked that they were supported by a clear opinion; and • agreed the price to independent evidence, for those valuations not supported by valuation statements. 	<p>Our work provided the assurance we sought and did not highlight any material issues.</p>

3. VALUE FOR MONEY CONCLUSION

Value for money conclusion

Unqualified

Our audit approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Our auditor’s report, issued to the Council on 31 July 2018, stated that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2018.

Sub-criteria	Commentary	Arrangements in place
Informed decision making	<p>A Constitution is in place which is reviewed, as a minimum, annually. This sets out the governance structure of the Council. An active Audit Committee is in place which has met throughout the year. Internal Audit has reported directly to the Audit Committee during the year. Where it feels necessary the Committee has challenged officers, for example, in following up the implementation of Internal Audit recommendations.</p> <p>Risk management arrangements are in place including a Corporate Risk Management Group which provides regular reports highlighting the strategic risks facing the Council.</p> <p>During the year there has been regular reporting to Cabinet of performance and financial information. The year end position reported is not significantly different to that forecast during the year. Performance reports include staff indicators, such as sickness levels.</p> <p>A Medium Term Financial Plan (7) was in place for the year ended 31 March 2018. MTFP (8) covering the period 2018/19 – 2021/22 was approved by the Council in February 2018. This set a balanced budget for the 2018/19 financial year, including fully identified savings of £15m.</p> <p>A Treasury Management Strategy was in place for the year ended 31 March 2018. There has been regular Treasury Management reporting in the year. The 2018/19 Treasury Management Strategy was approved by full Council in February 2018.</p>	Yes



3. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place
Sustainable resource deployment	<p>The Medium Term Financial Plan (7) was approved by the full Council ahead of the 2017/18 financial year and there was regular progress reporting during the financial year. As reported to the Cabinet in July 2018 the Council delivered the planned savings of just over £23m in 2017/18. The outturn reported in July confirms a surplus against the budget was delivered for the year ended 31 March 2018. This was consistent with the forecast outturn reported during the year.</p> <p>The Capital Member Officer Working Group (MOWG) was in place during the year and reviewed the progress in delivering the capital programme. The capital programme was reported to Cabinet during the year. The final MTFP (8) was presented to full Council in February 2018 ahead of the financial year. This included fully identified savings of £14m.</p> <p>The Transformation Programme remains in place. During the year the 'Inspire' brand was launched, This incorporates the three themes of inspiring change, inspiring people and inspiring places. A series of projects are in place for each theme and are intended to ensure the outcomes of the Transformation Programme are delivered.</p>	Yes
Working with partners and other third parties	<p>The Council's Constitution details the arrangements for contracting with third parties. The Council has written procedures for procuring products and services, which are within its constitution.</p> <p>Where appropriate partnerships are monitored through Council performance reporting arrangements. Area Action Partnerships are intended to give local residents a voice in how services are provided locally. Consultation with partners feeds into the Council's MTFP development. The County Durham Partnership is in place bringing together key partners in the County.</p> <p>The Health and Well-being Board is responsible for the Durham Better Care Fund plan. Financial and health outcome performance of the plan is monitored.</p>	Yes

3. VALUE FOR MONEY CONCLUSION

Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant audit risk and the work we carried out as a consequence is outlined below.

Risk	Work undertaken	Conclusion
Our audit procedures in previous years has concluded that the Council has arrangements in place for medium term financial planning. We are not aware of any matters to suggest a significant change in arrangements. The Council continues to face financial pressure in the coming years and the Council updating its medium term financial plan (MTFP) to meet these pressures. We need to ensure our knowledge of the Council's MTFP arrangements and its monitoring of the planned delivery of savings, remains up to date in order to ensure we give the correct VFM conclusion.	We addressed this risk by reviewing arrangements for: <ul style="list-style-type: none">• developing MTFP (8);• delivering the 2017/18 savings against planned target;• identifying future savings, including a review of robustness of identified plans for 2018/19 and beyond; and• developing and updating the Transformation Programme.	We obtained sufficient assurance to conclude arrangements are in place.

4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Consistent
Other information published alongside the audited financial statements	Consistent
Pension Fund financial statements included in the Pension Fund Annual Report	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest
- make a referral to the Secretary of State where we believe that a decision has led to, or would lead to, unlawful expenditure, or an action has been, or would be unlawful and likely to cause a loss or deficiency; and
- make written recommendations to the Council which must be responded to publically.

We have not exercised any of these statutory reporting powers

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. We submitted this information to the NAO on 31 July 2018 ahead of the 31 August 2018 deadline.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

Pension Fund financial statements included in the Pension Fund Annual Report

We examined the Pension Fund financial statements for the year ended 31 March 2018 included within the Durham County Council Pension Fund annual report. In our opinion, the Pension Fund financial statements within the Pension Fund's annual report are consistent with Pension Fund financial statements within the statement of accounts of Durham County Council for the year ended 31 March 2018, and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to audit committee in February 2018.

Having completed our work for the 2017/18 financial year, we can confirm that our final fees are as follows:

Area of work	2017/18 proposed fee	2017/18 final fee
Delivery of audit work under the NAO Code of Audit Practice: Durham County Council	£250,688	£250,688
Delivery of audit work under the NAO Code of Audit Practice: Durham County Council Pension Fund	£25,918	£25,918
Certification of Housing Benefit Subsidy Claim*	£20,062	£20,062
Other non-Code work:		
- Skills Funding Agency Assurance	£2,500	£2,500
- Teachers' Pension**	TBC	TBC

We can confirm that these fees are in line with the scale fee set by Public Sector Audit Appointments Ltd.

* Our work on the Housing Benefit subsidy claim is not yet completed and consequently the final fee quoted above is still on an estimated basis.

** At the time of preparing this report the Council has not formally engaged us to complete the Teachers' Pension assurance.

6. FORWARD LOOK

Financial outlook

The Council continues to make good progress in delivering planned savings and has identified further savings which are required to balance the budget in future periods. Over £23m of savings were made in the 2017/18.

In 2018/19, the forecast savings per MTFP (8) are £15.3 million, of which £14.8m was included within savings plan, leaving £0.5m shortfall in 2018/19 to be met from utilisation of the Budget Support Reserve (BSR). As at the 31 March 2018 the Council has £248.941m of useable reserves, of which £224.433m is earmarked.

In order to balance the budget in the period 2019/20 – 2022/23, MTFP (9) is forecasting savings of £35.3 million. MTFP (9) recognises the scope for further savings in managerial and back office efficiencies is becoming more difficult due to the significant savings already made and the continuing budget pressures the Council are set to face during the period. The significant budget pressures faced are a result of continuing reductions in funding from central government which can not be offset in full by increases in Council Tax and Business Rate Tax, and demographic pressures. Looking forward to 2020/21, the Council is facing major uncertainties in relation to business rates retention and the fair funding review.

During 2017/18 the Council's Children and Young Persons Service (CYPS) grouping had an overspend of £3.06m compared to budget. The 2018/19 budget has been updated to reflect these pressures but it is anticipated that there will be further reductions made in 2019/20 and 2020/21 and this will need to be monitored closely in the coming years in order to ascertain whether it is financially sustainable to reduce the budget in this area.

Operational challenges

The difficulty in maintaining good service performance levels at the same time as finding savings is recognised by the Council as a key operational challenge. Performance assessment arrangements are in place and outcomes are reported to and monitored by Members.

Key challenges include:

- securing the savings identified in the 2018/19 budget round and identification of savings covered in the 2019/20 – 2022/23 period;
- delivering the Transformation Programme; and
- implementing the Durham Plan and relocation of County Hall.

With a financial outlook that is increasingly challenging, the Council will need to ensure operational and financial plans deliver statutory duties and consider the needs and expectations of citizens and service users within available resources.

For the Pension Fund, arrangements for pooling investments present both risks and opportunities. In the July 2015 Budget, the Chancellor announced the Government's intention to work with LGPS administering authorities to ensure the pooling of investments to significantly reduce costs whilst maintaining performance, with the intention that pooling should take place from April 2018. The Pension Committee will need to continue to consider the risks and practical issues associated with pooling and support officers to ensure that pooling is effective, and delivers the expected cost reductions.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise. A key focus in the coming year will be the adoption of IFRS 9 Financial Instruments, a new standard for 2018/19, which changes the approach to financial assets and accounting for impairment.

Looking further ahead, IFRS 16 Leases is a new standard to be adopted from 2019/20, which establishes a new model for lessees and removes existing classifications of operating and finance leases. It is anticipated that the impact on the accounts of this could be material.

We will continue to offer accounting workshops to finance officers and the audit team will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

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