



Audit Completion Report

Northumberland County Council Pension Fund
Year ending 31 March 2020

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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Pension Fund are prepared for the sole use of the Pension Fund and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Members of the Audit Committee
Northumberland County Council
County Hall
Morpeth
NE61 2EF

25 November 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 29 July 2020. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

In response to the COVID-19 pandemic, MHGLC issued a revised reporting timetable for the Pension Fund to prepare its financial statements for inclusion in the Administering Authority Statement of Accounts and for the audit to be completed. We understand the difficult circumstances that the Pension Fund is facing in order to respond to the pandemic and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0781 375 2053.

Yours faithfully

Signed: {{_es_:signer1:signature}}

Cameron Waddell
Key Audit Partner
Mazars LLP

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VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of Northumberland County Council Pension Fund ('the Pension Fund') for the year ended 31 March 2020, and forms the basis for discussion at the Audit Committee meeting on 25 November 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Section 2 of this report outlines the detailed findings from our work on the financial statements. Section 2 also includes our conclusions on the audit risks in our Audit Strategy Memorandum:

- management override of control; and
- valuation of unquoted investments for which a market price is not readily available.

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B. Our draft report includes an Emphasis of Matter paragraph, highlighting the disclosures in the accounts regarding the merger of the Pension Fund with Tyne and Wear Pension Fund, which was effective from 1 April 2020.

Consistency report

We anticipate concluding that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of Northumberland County Council. Our draft consistency report is provided in Appendix C.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Pension Fund and to consider any objection made to the accounts. No such matters have arisen for the 2019/20 audit.

1. EXECUTIVE SUMMARY

Status of our audit work

We have partially completed our work on the financial statements for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

| Audit area | Status | Description of outstanding matters |
|----------------------------|--------|--|
| Transfers in | ● | We have selected a sample of transfers in to the Pension Fund during the year and are awaiting supporting evidence for the value of these. |
| Contributions receivable | ● | We have queries outstanding regarding a reconciliation of contributions receivable between the general ledger and the cash book. |
| Commutations and lump sums | ● | We have selected a sample of commutations and lump sums and are awaiting supporting evidence for these items. |
| Benefits payable | ● | We have queries outstanding regarding a reconciliation of benefits payable between the general ledger and the payroll system. |
| Transfers out | ● | We have selected a sample of transfers out of the Pension Fund during the year and are awaiting supporting evidence for the value of these. |
| Work of an expert | ● | We are waiting for clearance to obtain information from Portfolio Evaluation, which we will use in our work on financial instrument sensitivity disclosures. |
| Disclosure points | ● | We have raised a number of disclosure points in our technical review of the accounts which require amending. |
| Audit closure procedures | ● | We have several audit closure procedures to complete. This includes reviewing the final version of the Statement of Accounts. |

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum. This was originally drafted in July 2020 and we have not made any changes to our audit approach since that time.

Materiality

We set materiality at the planning stage of the audit at £14.969m using a benchmark of 1% of net assets available to pay benefits according to investments reported as at 28/02/20. We set a specific materiality for the fund account of £5.455m at the planning stage of the audit using a benchmark of 10% of benefits payable in the 2018/19 financial year.

Our final assessment of materiality, based on the final financial statements and qualitative factors, is £12.972m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee, at £0.389m based on 3% of overall materiality.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.

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2. SIGNIFICANT FINDINGS

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

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether 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 further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Pension Fund's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified in addition to those included in our Audit Strategy Memorandum.

Significant risk

Management override of controls

Description of the risk

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. 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 performing audit work in the following areas:

- 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.

Audit conclusion

Based on work completed to date, our work has provided us with the assurance we sought and has not highlighted any material issues to bring to your attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

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

Description of the risk

As at 31 March 2020, the fair value of investments which were not quoted on an active market was £113 million, which accounted for 9% 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.

How we addressed this risk

We addressed this risk by performing audit work in the following areas:

- agreed the valuation to supporting documentation including investment manager valuation statements, distribution and capital statements and audited accounts of the underlying funds, where available;
- where audited accounts were available, we checked that they were supported by a clear opinion;
- we looked at the accounting policies within the accounts of the underlying funds to assess the methodology for asset valuation; and
- in light of market volatility caused by Covid-19, we compared year end values against updated investment manager valuations carried out post-year end.

Audit conclusion

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

Key areas of management judgement

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. We have not identified any such judgements.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the entity's accounting practices

We have reviewed the Pension Fund's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Pension Fund's circumstances.

Draft accounts were received from the Pension Fund on 4 June 2020 and were of a good quality. Producing high-quality working papers is a crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit. The supporting working papers were readily available to the audit team and were also of a good standard.

Significant matters discussed with management

Subsequent to the end of the financial reporting period, Northumberland County Council Pension Fund merged with Tyne and Wear Pension Fund, effective from 01 April 2020. Our draft audit report includes an unqualified opinion and an Emphasis of Matter paragraph, highlighting the disclosures in the accounts to bring the merger to the attention of the reader. The Emphasis of Matter is not a modified or qualified opinion but highlights an unusual matter for readers of the accounts at Note 1 Basis of preparation where the Pension Fund has disclosed more details on the merger.

Significant difficulties during the audit

Draft accounts were received from the Council on the 15 July, but prior to this we had experienced difficulties in confirming when we could expect the Pension Fund accounts, which hindered resource planning. There were also several disclosure issues in the first draft which required amending in order to comply with the Code.

Throughout the audit process we have received the cooperation from the Council's management team and we acknowledge the difficulties of remote working, however key working papers were not available from commencing the audit, and the process to obtain audit evidence has been slow at times. We also acknowledge that this was partly due to the reliance on South Tyneside Council to provide key information for some areas of the audit, and the fact that Northumberland Council finance staff who were involved in the preparation of the Pension Fund accounts underwent a TUPE transfer to South Tyneside Council during the audit period.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

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. No such objections have been raised in relation to the Pension Fund.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be 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. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

| Priority ranking | Description | Number of issues |
|-------------------|--|------------------|
| 1 (high) | In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately. | 0 |
| 2 (medium) | In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future. | 1 |
| 3 (low) | In our view, internal control should be strengthened in these additional areas when practicable. | 0 |

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other recommendations on internal control – Level 2

Description of deficiency

Accounts payable – we understand that there is a monthly reconciliation between the AP accruals report and the nominal ledger code for AP accruals by the AP manager, however there has not been a monthly reconciliation of outstanding invoices as per AP system and the nominal ledger code for trade creditors.

We understand this was an issue raised by predecessor auditor in 2018/19 as their Audit results report stated that “The Council updated the general ledger to Oracle Cloud in November 2018 and we noted that since the new system has been implemented, monthly key control reconciliations were not being performed as management were unable to access the reports that they needed. We recommend that this is prioritised so that the full schedule of reconciliations is in place for 2019/20.” Although this report does not list the key control reconciliations we would expect the creditors control account reconciliation would be included.

Potential effects

Potential material misstatement if outstanding invoices as per accounts payable are not regularly reconciled to the nominal ledger trade creditors control account.

Recommendation

Monthly control account reconciliations should be completed and reviewed in a timely manner.

Management response

Regular AP reconciliations are now being carried out and have been done retrospectively back to November 2018 to address the period when they were not completed.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £0.389m.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2019/20

| | Fund Account | | Net Assets Statement | |
|---|--------------|---------|----------------------|--------------|
| | Dr (£m) | Cr (£m) | Dr (£m) | Cr (£m) |
| 1 Dr: Profit and loss on disposal of investments and change in market value of investments | 2.051 | | | |
| Cr. Investment assets | | | | 2.051 |
| Reconciliation of investment assets to Fund Manager Reports has identified a net variance of £2,051k (this also includes forex variance). The variance is largely due to draft valuations being used by the client, which are superseded by more up-to-date information that only becomes available after production of the draft financial statements. | | | | |
| Total unadjusted misstatements | 2.051 | | | 2.051 |

Adjusted misstatements 2019/20

| | Fund Account | | Net Assets Statement | |
|---|--------------|---------|----------------------|--------------|
| | Dr (£m) | Cr (£m) | Dr (£m) | Cr (£m) |
| 1 Dr: Benefits payable | 0.790 | | | |
| Cr. Current liabilities | | | | 0.790 |
| NCC accounts payable reconciliation exercise identified a £790k posting to the Pension Fund that was not picked up when preparing the accounts. This meant that benefits payable and amounts owed to NCC within current liabilities were both understated by £790k. | | | | |
| Total adjusted misstatements | 0.790 | | | 0.790 |

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Disclosure amendments

The following disclosure amendments were made:

Note 2, Accounting policies: A policy was added in relation to the disclosure of outstanding commitments in Note 20. The accounting policy for taxation was removed as it is not applicable to the Pension Fund.

Note 5, Contributions: Presentation of note was amended to comply with the Code – by showing the total split by type of contribution and then a separate split by type of employer body.

Note 7, Benefits: Presentation of note was amended to comply with the Code – by showing the total split by type of contribution and then a separate split by type of employer body.

Note 17, Related party transactions: Figure for amount due to Northumberland County Council as at 31 March 2020 was amended to be consistent with Note 13 Current liabilities.

Note 21, Financial instruments: Footnote discussing reclassification of 'loans and receivables' due to IFRS 9 was removed as this is now the second year of the new classification.

General: A number of other minor changes were made to the financial statements not requiring individual analysis.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Northumberland County Council Pension Fund
County Hall
Morpeth
NE61 2EF

25 November 2020

Dear Cameron

Northumberland County Council Pension Fund - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Northumberland County Council Pension Fund ('the Pension Fund') for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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.

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 Pension Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Executive Director of Finance 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 Code 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.

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DRAFT MANAGEMENT REPRESENTATION LETTER

(CONTINUED)

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 Code.

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 Executive Director of Finance 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 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.

Assets

I confirm that all assets held are free from liens, charges or any other encumbrance.

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.

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 Code requires 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.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

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

Executive Director of Finance

APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of Northumberland County Council

Report on the financial statements

We have audited the financial statements of Northumberland County Council Pension Fund ('the Pension Fund') for the year ended 31 March 2020, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. 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 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of Northumberland County Council Pension Fund during the year ended 31 March 2020, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Finance use of the going concern basis of accounting in the preparation of the Council's and the Pension Fund's financial statements is not appropriate; or
- the Executive Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's or the Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of Matter – Merger of Northumberland Pension Fund with Tyne and Wear Pension Fund

We draw attention to Note 1 of the Pension Fund financial statements which explains that Northumberland County Council Pension Fund merged into Tyne and Wear Pension Fund on 1 April 2020. This resulted in the transfer of the Fund's assets and liabilities to Tyne and Wear Pension Fund and Northumberland County Council is no longer required to administer an LGPS Fund or prepare Pension Fund accounts from 1 April 2020. In accordance with section 3.8.2.14 of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 the financial statements have been prepared on a going concern basis as described in Note 1. Our opinion is not modified in respect of this matter.

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Other information

The Executive Director of Finance is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Executive Director of Finance for the financial statements

As explained more fully in the statement of the Executive Director of Finance's Responsibilities, the Executive Director of Finance 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 2019/20, and for being satisfied that they give a true and fair view. The Executive Director of Finance is also responsible for such internal control as the Executive Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Executive Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council and the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Use of the audit report

This report is made solely to the members of Northumberland County Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Northumberland County Council Pension Fund in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[Signature]

Cameron Waddell
For and on behalf of Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS
XX 2020

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DRAFT CONSISTENCY REPORT

Independent Auditor's Statement to the Members of Northumberland County Council on the Pension Fund Financial Statements included within Northumberland County Council Pension Fund Annual Report

We have examined the Pension Fund financial statements for the year ended 31 March 2020 included within the Northumberland County Council Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the related notes.

Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of Northumberland County Council for the year ended 31 March 2020 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Respective responsibilities of the Executive Director of Finance and the auditor

As explained more fully in the Statement of the Executive Director of Finance's Responsibilities, the Executive Director of Finance 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 the Members of Northumberland County Council as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of Northumberland County Council.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of Northumberland County Council describes the basis of our opinions on the financial statements.

Use of this auditor's statement

This report is made solely to the members of Northumberland County Council, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of Northumberland County Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Northumberland County Council and Northumberland County Council's members as a body, for our audit work, for this statement, or for the opinions we have formed.

[Signature]

Cameron Waddell
For and on behalf of Mazars LLP
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DH1 5TS
XX 2020

Executive summary

Significant findings

Internal control
recommendations

Summary of misstatements

Appendices

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 and therefore we remain independent.



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