

The Audit Findings for Lancashire County Pension Fund

Year ended 31 March 2013

August 2013

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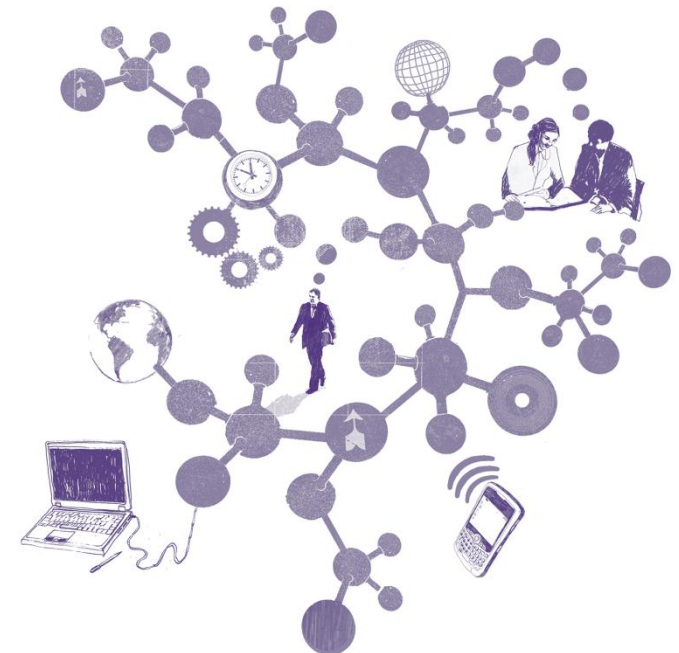
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key issues arising from the audit of Lancashire County Pension Fund's ('the Fund') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260.

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Fund's financial statements present a true and fair view of the financial position, the financial transactions of the fund during the year and that they have been properly prepared in accordance with the Code of Practice on Local Authority Accounting.

Introduction

In the conduct of our audit we have not had to alter or change the planned approach as communicated to you in our audit plan in June 2013.

Our audit is substantially complete although we are finalising our work in the following areas:

- resolution of outstanding queries
- obtaining and reviewing the management letter of representation;
- updating our post balance sheet events review, to the date of signing the audit opinion; and
- our final review procedures.

Key audit and financial reporting issues

Financial statements opinion

We expect to provide an unqualified opinion on the financial statements.

We have not identified any material adjustments affecting the Fund's draft financial position, which showed net assets of £5,011m.

The key messages arising from our audit of the Fund's financial statements are:

- the draft financial statements were provided at the start of our audit work and high quality working papers were made available;
- officers were available throughout our audit fieldwork to provide additional supporting information in a timely manner and our audit queries were responded to promptly;
- previous issues reported about the potential miss-classification of entries between the Council and the Pension Fund have now been resolved;
- a number of amendments have been made to the draft financial statements to provide clearer and more complete disclosures. In particular these now better reflect the more complex portfolio of investments managed by the fund.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Executive summary

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has identified some minor IT access control weaknesses and delays in obtaining signed agreements from new admitted bodies. Further details are provided within section 2.

The way forward

Matters arising from the financial statements audit have been discussed with the Treasurer to the Pension Fund and officers, and where appropriate the accounts have been amended.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during the course of our audit.

Grant Thornton UK LLP
16 September 2013

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Pensions Committee on 07 June 2013 and the Audit and Governance Committee on 25 June 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you.

Audit opinion

We anticipate that we will provide the Fund with an unqualified opinion on the financial statements. Our anticipated audit opinion on the financial statements is set out in Appendix A. We have also included our anticipated opinion on the annual report at Appendix B.

Letter of Representation

We have provided the Fund with a suggested letter of representation. We are not seeking any specific representations. This is included at Appendix C.

IAS 19 assurances

We have completed our work to support the IAS19 assurances required by a number of scheduled bodies to the pension scheme and have not identified any issues as a result.

Follow up of previous recommendations

We have reviewed the work of your predecessor auditor in planning our audit programme, including a review of previous recommendations. This involved resolving the previously existing issues around the possible miss-classification of transactions between the County Council and the Fund. Our follow up work is complete and there are no matters that we wish to bring to your attention.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

| | Risks identified in our audit plan | Work completed | Assurance gained and issues arising |
|----|---|--|--|
| 1. | <p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p> <p>In our plan we did rebutt this presumption due to the nature of the Fund's revenue, together with the strong separation of duties created by the independent custodian and investment managers.</p> | <ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions | <p>Our audit work has not identified any issues in respect of revenue recognition.</p> |
| 2. | <p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk that management over-ride of controls is present in all entities</p> | <ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journals entries • review of unusual significant transactions | <p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries have not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p> |

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

| Transaction cycle | Description of risk | Work completed | Assurance gained & issues arising |
|--------------------------------|--|---|---|
| <p>Investments</p> | <p>Investments not valid Valuation of investments is mis-stated. Evidence of existence and ownership may not be available. Incorrect or insufficient disclosure.</p> | <ul style="list-style-type: none"> • obtained independent, direct confirmation of balances from Investment Managers, and Custodian. • Obtain independent confirmation of valuation of property investments. • 3-way reconciliation between records of the fund managers, the custodian, and the Fund • Sample testing of valuations, in particular hard-to-value investments • Testing of sales / purchases in material classes of investments back to independent confirmations from custodians and fund managers. • Reviewed the latest controls assurance reports for each fund manager and custodian • Reviewed the detailed investment disclosures for compliance with code requirements and agreement to underlying records. | <p>Our audit work has not identified any investments held by the Fund that are not valid, or where the fair value measurement is not correct.</p> <p>Our audit work supports the valuations of investments where estimation techniques and judgement have been applied.</p> <p>Investment liabilities of £1.9m had been incorrectly netted out on the face of the Fund Account within the investment assets figure. Officers have corrected for this.</p> <p>A small number of other amendments have been made to investment disclosures to improve clarity. (See page 14 for more detail).</p> |
| <p>Benefit Payments</p> | <p>Benefits improperly computed/claims liability understated</p> | <ul style="list-style-type: none"> • Sample testing of pension payments, lump sums, and refunds • Analytical procedures rationalising pensions paid with changes in pensioner numbers & annual pension increases applicable to 12/13 • Reconciliation of movements in membership statistics to transactions in the accounting records | <p>Our audit work did not identify any evidence that benefit payments have been improperly computed, or the claims liability understated.</p> |

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

| Transaction cycle | Description of risk | Work completed | Assurance gained & issues arising |
|----------------------|------------------------------------|---|--|
| Contributions | Recorded contributions not correct | <ul style="list-style-type: none"> • Review design of controls regarding receipt of contributions at the Fund, and testing to ensure these controls are operating effectively. • Analytical procedures rationalising contributions received to changes in member data and payroll data. | Our audit work has not identified any evidence that contributions been recorded incorrectly. |

Internal Control

Review of Information Technology (IT) Controls

As part of our planned programme of work, our information systems specialist team undertook a high level review of the general IT control environment at the Administering authority. This was undertaken as part of the review of the internal controls system and included a follow up of the issues that had been raised by the previous auditor, the Audit Commission. Some improvements have been made in this area, although the following are areas where the existing IT arrangements can be further developed :

Network access: Network log-on passwords are still allowed to be simple (they can be all-letter, i.e. a word). This issue was raised in the previous auditors' 2011-12 assessment. Although management have agreed to introduce stronger network passwords, implementation has been slower than planned.

Monitoring network access permissions: Arrangements for removing leavers' network accounts were previously weak. Improvements have been made during 2012-13 by using HR reports to identify leavers so that accounts can be deleted as they arise. However, redundant accounts for staff who left before this change was made, may remain on the system. A process for monitoring which network accounts have been unused for a lengthy period and disabling or deleting them has been proposed but is not yet in place.

These areas apply to the whole of the IT controls environment for the administering authority and are not specific to the operation of the Fund. An action plan has been agreed which includes resolution of these issues by June 2014.




Review of Other Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

In addition to the IT control issues reported above we identified an issue around delays in obtaining signed agreements from admitted bodies new to the pension fund. During 2012/13 there were 18 new admitted bodies to the pensions fund. The Pension fund has been receiving contributions on their behalf and paying pensioners during this period. However as at the end of August 2013, nine signed admission agreements from the relevant bodies had still not been received. These are all relatively small bodies and the financial risks to the fund are therefore not material. However the delay in obtaining signed agreements does put the pension fund at some risk. The Treasurer has agreed to consider this together with the benefits administration team to determine the best course of action to reduce these risks.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

| Accounting area | Summary of policy | Comments | Assessment |
|----------------------------------|--|--|---|
| Revenue recognition | <ul style="list-style-type: none"> • Contribution Income: normal contributions for both employee and employers is accounted for on an accruals basis • Transfers to and from the scheme: Transfers are recognised when they are received / paid. • Investment Income: The Fund adopts several different recognition approaches dependent on the types of investment as disclosed within the statements. | <ul style="list-style-type: none"> • The revenue recognition policies of the Fund are appropriate and in line with the relevant accounting framework • The application of the revenue recognition policies at the Fund is not considered complex, and our testing has not identified any inappropriate revenue recognition |  Green |
| Judgements and estimates | <ul style="list-style-type: none"> • Key estimates and judgements include : <ul style="list-style-type: none"> – investment valuation for unquoted, hard to value investments – pension fund actuarial valuations and settlements | <ul style="list-style-type: none"> • The valuation of the Fund's investment portfolio has been substantively tested to gain assurance that it is not materially misstated • We have confirmed that the work of the actuary is in line with professional standards an regulation, and that they are a reliable source of estimation relating to the pension fund liabilities. |  Green |
| Other accounting policies | <ul style="list-style-type: none"> • The Fund's accounting policies are in accordance with the requirements of the Code of Practice on Local Authority Accounting | <ul style="list-style-type: none"> • We have reviewed the Fund's policies against the requirements of the Code of Practice on Local Authority Accounting and do not have any comments to make. |  Green |

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Adjustment type | Value £m | Account balance | Impact on the financial statements |
|---------------------|--------------------|---|--|
| 1 Misclassification | £1.9 (£1.9) | Investment assets Investment liabilities | This was an error on the face of the fund account. The investment assets had been show net of liabilities. The value should have been shown gross with a corresponding investment liability reflected. The misclassification has no impact on the retained net assets carried forward. The investment liabilities had been accounted for separately and disclosed separately within the detailed disclosure notes. |
| 2 Misclassification | (£3.1) (£3.1) | Investment income Investment management expenses | The Code requires rents from investment properties to be disclosed net of expenses but these had been shown gross. The previous years' comparators have also been amended. |
| 3 Disclosure | N/A | Investment assets | A small number of amendments have been agreed to provide a clearer disclosure of investments to reflect the more diverse portfolios which now exist. This has also resulted in a re-analysis of investments between levels 1, 2 and 3 in note 14 of the accounts. |
| 4 Disclosure | N/A | Various | A small number of other amendments have been agreed to ensure completeness of disclosures. This included additional analysis of benefits payable, further disclosure of the relationship between the net assets and the policy for future promised benefits and more complete disclosures of the related party transactions between the administering authority and the fund. |

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards to communicate to those charged with governance.

| | Issue | Commentary |
|----|--|--|
| 1. | Matters in relation to fraud | <ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee and were not informed of any significant matters in relation to fraud affecting the pension fund. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures. |
| 2. | Matters in relation to laws and regulations | <ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations. |
| 3. | Written representations | <ul style="list-style-type: none"> A standard letter of representation has been requested from the Fund. |
| 4. | Disclosures | <ul style="list-style-type: none"> IAS 24 requires the inclusion of an extended disclosure note about the compensation of key management personnel. The CIPFA code includes a specific dispensation from this requirement, instead following the regulatory disclosure requirements around remuneration of members and staff. The fund has chosen to follow the CIPFA example pension fund accounts which refer to this dispensation in the Pension Fund disclosure notes, (note 28), and cross references the reader to the Council's main financial statements where such regulatory disclosures are made. In our view, such a disclosure is not appropriate since the regulatory disclosures in the Council's main accounts include senior management personnel who are not involved in the management of the pension fund and will exclude some who are. Additionally, in the context of the separately published Pension Fund Annual Report., such cross referencing is not helpful. In our view the Fund should either make the full IAS24 disclosures within the pension fund accounts, or make the regulatory disclosures set out in the Code specific to those key management personnel involved in the Pension Fund. However we recognise that the position taken by the Fund is not inconsistent with the Code or CIPFA's guidance (in the form of the example pension fund accounts provided by them). |
| 5. | Matters in relation to related parties | <ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed. |
| 6. | Going concern | <ul style="list-style-type: none"> Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis. |

Section 3: Fees, non audit services and independence

01. Executive summary

02. Audit findings

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04. Communication of audit matters

Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services. The actual fee is consistent with the revised scale fee approved by the Audit Commission.

Fees

| | Per Audit plan £ | Actual fees £ |
|-------------------------|---------------------|------------------|
| Fund audit | 41,505 | 41,194 |
| Total audit fees | 41,505 | 41,194 |

Fees for other services

| Service | Fees £ |
|---------|--------|
| None | Nil |

Independence and ethics

Ethical standards and International Standards on Auditing (ISA) 260 require us to give you full and fair disclosure of matters relating to our independence. In this context, we disclose the following to you:

- a member of our team has a family member who works within the Pension Fund's benefits administration team. To avoid any potential conflicts, this member of our team does not undertake any work on the benefits payable elements of the accounts and is not responsible for the planning or supervision of such work.

We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Section 4: Communication of audit matters

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

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Communication of audit matters to those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

| Our communication plan | Audit Plan | Audit Findings |
|--|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance | ✓ | |
| Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications | ✓ | |
| Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought | | ✓ |
| Confirmation of independence and objectivity | ✓ | ✓ |
| A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence | ✓ | ✓ |
| Material weaknesses in internal control identified during the audit | | ✓ |
| Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements | | ✓ |
| Compliance with laws and regulations | | ✓ |
| Expected unmodified auditor's report | | ✓ |
| Uncorrected misstatements | | ✓ |
| Significant matters arising in connection with related parties | | ✓ |
| Significant matters in relation to going concern | | ✓ |

Appendices

Appendix A: Proposed audit opinion for the financial statements

We anticipate we will provide Lancashire County Pension Fund with an unqualified audit report

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

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Lancashire County Pension Fund 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 Lancashire 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer to the Pension Fund and auditor

As explained more fully in the Statement of the Responsibilities of the Treasurer to the Pension Fund, the Treasurer to the Pension Fund 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 pension fund 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 Treasurer to the Pension Fund 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 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.

Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements: give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 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 2012/13.

Karen Murray
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

September 2013

Appendix B: Proposed audit opinion for the annual report

We anticipate we will provide Lancashire County Pension Fund with an unqualified audit report for inclusion in the annual report

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

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Lancashire County Pension Fund 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 Lancashire 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer to the Pension Fund and auditor

As explained more fully in the Statement of the Responsibilities of the Treasurer to the Pension Fund, the Treasurer to the Pension Fund is responsible for the preparation of the pension fund's financial statements 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 pension fund 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 Treasurer to the Pension Fund; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters

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

Matters on which we report by exception

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

Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 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 2012/13.

Karen Murray
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
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Manchester
M3 3EB

XX September 2013

Appendix C: Letter of Representation

Karen Murray
 Director
 Grant Thornton UK LLP
 4 Hardman Square
 Spinningfields
 MANCHESTER, M3 3EB

xx September 2013

Dear Karen

Lancashire County Pension Fund Financial Statements for the year ended 31 March 2013

This representation letter is provided in connection with your audit of the financial statements of Lancashire County Pension Fund for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2013, and of the amount and disposition at that date of its assets and liabilities, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code).

Financial Statements

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

We have not adjusted the misstatements brought to our attention on the audit differences and adjustments summary, attached to this letter, as they are [****immaterial to the Fund's accounts at the year-end / for the reasons noted on the schedule / other reasons****]. The financial statements are free of material misstatements, including omissions. (will not be needed if aren't any)

We believe that the Pension Scheme's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Pension Scheme's needs. We believe that no further disclosures relating to the Pension Scheme's ability to continue as a going concern need to be made in the financial statements.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Pension Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgment based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.

Information Provided

We 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 matters;
- additional information that you have requested from us for the purpose of your audit; and
- unrestricted access to persons from whom you determine it necessary to obtain audit evidence.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 All transactions have been recorded in the accounting records and are reflected in the financial statements.

We have disclosed to you our knowledge of fraud or suspected fraud affecting the Fund involving:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements.

We are not aware of any instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

There have been no communications with The Pensions Regulator or other regulatory bodies during the fund year or subsequently concerning matters of non-compliance with any legal duty.

We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

Yours faithfully

Gill Kilpatrick
 Treasurer

Clare Pritchard
 Chair of Audit and Governance
 Committee



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