

Annual Governance Report

Shropshire Pension Fund

Audit 2008/09

September 2009

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission, explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non executive directors, members or officers and are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Ladies and Gentlemen

2008/09 Shropshire County Pension Fund Annual Governance Report

Local government pension funds administered by administering authorities, such as Shropshire Council, are not statutory bodies in their own right. Therefore, in general it is not possible for separate audit appointments to be made for Local Government Pension Scheme (LGPS) audits.

However, the Audit Commission's view is that the assets, liabilities and cash flows of local funds are significant enough to warrant the audit of the LGPS being treated separately. This is the first year in which new arrangements have been put in place requiring me, in my capacity as the appointed auditor for Shropshire Council with responsibility for reporting upon the Shropshire County Pension Fund, to report separately to you on my audit work on the pension for 2008/09.

I am pleased to report that my audit work has gone well and there are no matters I wish to bring to your attention in your role as 'Those Charged with Governance'. There are however two key issues that I must ask you to consider before I complete the audit. I would therefore ask you to:

- consider the matters raised in the report before approving the Annual Report and the financial statements contained within it (pages 4 to 6); and
- approve the letter of representation on behalf of the Council before I issue my opinion (Appendix 2).

Yours faithfully

Grant Patterson
District Auditor

3 September 2009

Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	5
Financial statements free from material error	Yes	5
Adequate internal control environment	Yes	5

Financial statements

The Pension Fund's accounts are important means by which the Fund accounts for its stewardship of pension funds. The Council has a final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements.

Opinion on the financial statements

- 1 I plan to issue an audit report on the Council's financial statements that includes an unqualified opinion on the Pension Fund's accounts. I will therefore be able to issue an unqualified opinion on the financial statements within the Pension Fund's Annual Report. Appendix 1 contains a copy of my proposed audit report that is to be included within this.

Errors in the financial statements

- 2 The draft financial statements produced for audit were complete, contained no errors and were supported by very detailed working papers. I have identified no errors in the financial statements that require reporting to management or the Pension Committee in its role as 'Those Charged with Governance'.

Material weaknesses in internal control

- 3 I report those matters which have come to my attention because of the audit procedures we have performed. I have not identified any material weaknesses in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.

Letter of representation

- 4 Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 2 contains the draft letter of representation I seek to obtain from you.

Key areas of judgement and audit risk

- 5 In planning the audit no specific risks were identified and areas of judgement were considered as part of the audit. The key change in reporting this year was the change to the way in which assets were valued from mid-price to bid price. I am satisfied that this change has been properly implemented.

Accounting practice and financial reporting

- 6 I consider the qualitative aspects of your financial reporting. There are no issues I wish to raise with you.
-

Audit Fees

- 7 The audit fee and plan for the audit of the 2008/09 pension fund financial statements was agreed by Shropshire County Council's Audit Committee in May 2008 to be £33,329. The fee is in line with the Audit Commission's Letter of Guidance. No change to the audit fee is proposed.

Next steps

This report identifies the key messages that you should consider before I issue my opinion on the pension fund's accounts, which will form part of my report on the Council's financial statements. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

8 I ask the Pensions Committee to:

- consider the matters raised in this report before approving the financial statements (pages 4 to 5); and
- approve the letter of representation on behalf of the Council before I issue my opinion (Appendix 2).

Appendix 1 – Independent auditor’s report to Members of Shropshire Council

Opinion on the financial statements

I have audited the pension fund accounts for the year ended 31 March 2009. The pension fund accounts comprise the Pension Fund Account, the Net Asset Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Shropshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Resources & Scheme Administrator and auditor

The Director of Resources & Scheme Administrator is responsible for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008. In preparing the pension fund accounts, the Director of Resources & Scheme Administrator is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgments and estimates that were reasonable and prudent;
- keeping proper accounting records which were up to date; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

My responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the pension fund during the year and the amount and disposition of the fund’s assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year. I also report to you whether, in my opinion, the information which comprises the commentary on the financial performance, included within the

Appendix 1 – Independent auditor’s report to Members of Shropshire Council

Investment Performance section of the Pension Fund Annual Report, is consistent with the pension fund accounts.

I review whether the governance compliance statement published in the Pension Fund Annual Report reflects compliance with the requirements of Regulation 34(1)(e) of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. I report if it does not meet the requirements specified by the Department of Communities and Local Government or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures

I read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the remaining elements of the Pension Fund Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

Opinion

In my opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund’s assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Appendix 1 – Independent auditor’s report to Members of Shropshire Council

Grant Patterson

(Officer of the Audit Commission)

Audit Commission

Opus House

Priestly Court

Staffordshire Technology Park

Beaconside

Staffordshire

ST18 0LQ

September 2009

Appendix 2 – Draft letter of representation

To:
Grant Patterson
District Auditor
Audit Commission
Opus House
Priestly Court
Staffordshire Technology Park
Beaconside
Staffordshire
ST18 0LQ

Dear Grant,

Shropshire County Pension Fund - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Shropshire County Pension Fund, the following representations given to you in connection with your audit of the Shropshire County Pension Fund's financial statements for the year ended 31 March 2009.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom which present fairly the financial position and financial performance of the Pension Fund and for making accurate representations to you.

Uncorrected misstatements

I confirm that there are no uncorrected financial statements or misstatements within the Shropshire County Pension Fund financial statements.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Shropshire County Pension Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Pensions Committee meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I am not aware of any fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements. Nor am I aware of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Pension Fund.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For the valuation of investments, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- that prior year adjustments have been completed to the 2007/08 accounts to reflect the fair market value as required by the SORP Financial Reports of Pension Schemes (Revised May 2007).

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- assets pledged as collateral.

Appendix 2 – Draft letter of representation

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation;
- there are no material commitments or contractual issues; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Specific representations:

There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

Signed on behalf of *Shropshire County Pension Fund*

I confirm that the this letter has been discussed and agreed by the Pensions Committee on 9 September 2009

Signed

Laura Rowley
Director of Resources & Scheme Administrator

Date: 9 September 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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