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Shropshire Council

Date:	Thursday, 18 September 2014
Time:	9.30 am
Venue:	Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND
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AUDIT COMMITTEE

TO FOLLOW REPORT (S)

14 External Audit: Shropshire County Pension Fund Audit Findings Report 2013/2014 (Pages 1 - 30)

The report of the External Audior Grant Thornton is to follow.

Contact: Grant Patterson 0121 232 5296

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The Audit Findings Report for Shropshire County Pension Fund

Year ended 31 March 2014

11 September 2014

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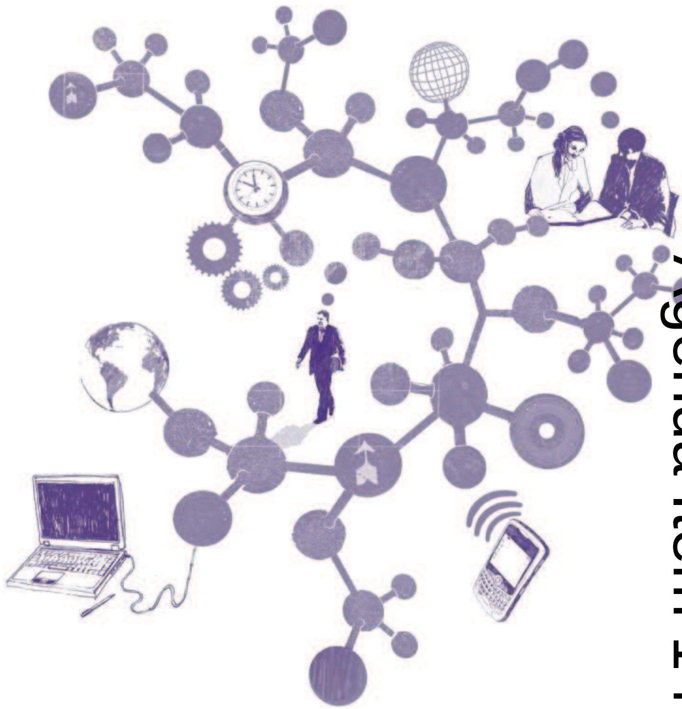

Agenda Item 14

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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.

Contents

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 Shropshire County Pension Fund's ('the Fund') financial statements for the year ended 31 March 2014. 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 whether 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 our planned audit approach, which we communicated to you in our Audit Plan dated April 2014 and presented to you in June 2014.

We received the draft pension fund annual report, incorporating the financial statements, and accompanying working papers at the start of our audit, in accordance with the agreed timetable. Our audit is substantially complete although we are finalising our procedures in the following areas:

- the final response in relation to our queries in relation to compliance with the disclosure requirements of reporting standard FIRS 7, covering financial instrument disclosures and foreign currency risk
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion, and
- final engagement lead review of the financial statements and work completed.

Key issues arising from our audit

Financial statements opinion

As at the 6 Septembers 2014, subject to the completion of the outstanding areas, we anticipate providing an unqualified opinion on the Fund's financial statements.

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

- The draft and final version of the financial statements recorded net assets carried forward of £1,339,203,000. We have not identified any material adjustments affecting the Fund's net assets position.
- We have agreed with officers a number of minor adjustments to the notes to the financial statements.

We have identified two non-trivial adjustments that net to £0.4m in respect of discrepancies between the values of investments reported by the custodian and fund managers. These are similar to those related in 2012/13 and are in respect of HarbourVest Private Equity investments and Aberdeen Assert Management:

- HarbourVest PE is potentially understated by £2m due to estimates as at 31 December 2013 being used as the basis for the year end value, and
- Aberdeen Asset Management is potentially overstated by £1.6m due to a difference in the view taken in relation to the of valuation given to investments for property, which has led to a £1.6m overstatement.

Officers are not proposing to amend for this in 2013/14, as the values are not materially different. If an amendment were made it would increase both the Fund's reported surplus and net assets by £0.4m. The Pensions Committee is asked to approve management's proposed treatment and recognition of this and the associated disclosure within the Letter of Representation (further details are on page 11).

Further details of all of the above matters are set out in section 2 of this report.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the Treasury and Pension team staff during our audit.

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

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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 Pension Fund Committee on 20 June 2014. 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 dated April 2014 and as previously communicated to you on 20 June 2014

Audit opinion

We anticipate that we will provide the Fund with an unmodified opinion. Our audit opinion is set out in Appendix B.

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.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	As reported in our Audit Plan we rebutted this presumption and therefore do not consider this to be a significant risk for Shropshire County Pension Fund. As part of our normal audit procedures we have: • completed testing of revenue recognition policies • completed testing of material revenue streams	Our audit work has not identified any issues in respect of revenue recognition or identifies issues that would indicate our rebuttal was incorrect.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	We have: • completed a review of accounting estimates, judgements and decisions made by management • carried out testing of journals entries • undertaken a review of unusual significant transactions	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 has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

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
Investments	• Investments not valid • Investments activity not valid • Alternative Investments not valid • Fair value measurement not correct	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthroughs of the key controls to assess the whether those controls are designed effectively • reviewed the reconciliation between information provided by the fund managers, the custodian and the pension fund's own records • confirmed directly the existence of the investments with the independent custodian and /or other supporting documentation • tested the value of a sample of individual investments. • tested the valuations of hard to value investments, reconciling the values between the Fund Manager and Custodian values, and the published accounts of the fund managers organisations where the information allowed. • reconciled the value of sales and disposals during the year back to the custodian and fund manager statements in total • tested a sample of administrative expenses.	Our audit work has not identified any material issues in relation to the risk identified. However, the Fund's practice is to place reliance upon the custodian's values when constructing the financial statements. We identified two non-trivial issues, in respect of the valuation testing, which result in a net understatement of the fund of £0.4m as detailed below: • There is a £2m understatement in respect of the HarbourVest valuation. The custodian, Northern Trust, reported a year end valuation of £57.3m using HarbourVest' s December 2013 market values to estimate the year end position. HarbourVest final 31 March 2014 statement provided to us was for a value of £59.3m. • There is an overstatement of £1.6m in respect of Aberdeen Asset Management 's valuation compared to the valuation provided by the Custodian. Aberdeen Asset Management ,as the fund manager, devalued (impaired) the securities named CG Mall Europe from £1.34m to nil but the custodian is still reporting them at gross value. The Fund has chosen to include the gross value in the Net Assets Statement. There is also a difference in relation to Corestate German Residential of £0.98m which is due to an error on the use of estimate date by the fund manager, rolling forward from the September as opposed to the expected December position, which lead to a 29p difference per share. Other trivial difference reduce the overall difference to £1.6m. The above items are detailed in the unadjusted misstatements section of this report.

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
Benefit Payments	• Benefits improperly computed/claims • liability understated	We have undertaken the following work in relation to this risk: • reviewed and tested the controls of new applications , transaction approval, payment authorisation and ensuring cash transaction are reconciled with bank reconciliation process • testing covered a sample of individual transfers, pensions in payment (new and existing), lump sum benefits and refunds. • pensions paid have been rationalised to changes in pensioner numbers and increases applied in the year together with a comparison of pensions paid on a monthly basis and ensured, as needed, that any unusual trends are explained • the movements on membership statistics have been compared to transactions in the accounting records.	Our audit work has not identified any material issues in relation to the risk identified.
Contributions	• Recorded contributions not correct	We have undertaken the following work in relation to this risk: • reviewed and tested the controls and reconciliations in place to validate the accuracy of contributions, and that contributions are received and deposited accurately • testing of contributions with employers on a statistical basis to test a sample of contributions at an admitted body • contributions received have been rationalised to changes in member body payrolls and numbers of contributing members., from the pervious year's figures with unexpected trends being reviewed for reasonableness.	Our audit work has not identified any material issues in relation to the risk identified.

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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
Member data	• Member data not correct	We have reviewed and tested: • the system of controls and reconciliations covering the determination of member eligibility • the input of evidence into the Pensions Administration System and the maintenance of member records. • reconciled membership numbers for each category of member to previous year's figures via retirements, leavers and starters.	Our audit work has not identified any material issues in relation to the risk identified.

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	In summary the main income recognition polices are in relation to: • interest income which is recognised in the Fund accounts as it accrues, using the effective rate of interest of the financial instrument as at the date of acquisition • dividend income is recognised on the date the shares are quoted ex-dividend • distributions from pooled funds are recognised at the date of issue • changes in the net market value of investments are recognised as income and comprise all realised and unrealised profit/losses during the year.	• The revenue recognition policy was reviewed and considered appropriate for your Pension Fund, and the judgements involved were also suitable • Adequacy of disclosure of accounting policy is considered adequate.	● Green
Judgements and estimates	Key estimates and judgements include: • investment valuation, particularly the subjective nature of determining the fair value of private equity, and • the pension fund liability is calculated every three years by the Fund Actuary. This estimate is subject to significant variances based on changes to the underlying assumptions.	• The results from our review and testing of the valuation of investments is covered on page 9 of this report above. The fair value of private equity is based on the judgement of your custodian and is not materially different to the fund manager's view. We have concluded that the valuation in your accounts is based on a reasonable estimate of the available information. • The pension liability is based on your actuary's (Mercer). We have been provided with assurance that Mercer's can be relied upon for the purpose of valuing the liability and have reviewed the assumptions. The Pension Fund has reflected the valuation as given to them by the Actuary in their accounts. The accounts have disclosed the nature of the valuation and the fact that the estimate is subject to significant variances based on changes to the underlying assumptions.	● Green
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	• Our review of accounting policies has confirmed they consistent with the CIPFA code and reporting requirements with the exception of the issues highlighted in the table below "Misclassifications & disclosure changes " (page 14).	● Amber

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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

Adjusted misstatements

There have been no amendments made to the to the draft financial statements identified during the audit process. We are required to report all material misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. There are no such matters to report.

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	Account balance	Impact on the financial statements
1	Disclosure	£186.6m	Level 3 financial instruments disclosures, Note 11a	Under FIRS 7 the following information needs to be included in note 11a Movements during the year: £187.625m of the "Pooled investment vehicles – Other Managed Funds of £912.315m in Note 11a is at fair value for Level 3 investments.. FIRS 7 requires a reconciliation of opening to closing balance, showing all the components of movements (purchases, sales, issues and settlements) that occurred during the year for Level 3 financial instruments. This has now been included.
2	Disclosure	£345.8m	Note 11a	Transition values in Note 11a are material to the rebalancing exercise. There is £345.709m investments have been reclassified from "Pooled Investment Vehicles – Other managed funds" (which consists of a combination of Level 1, 2 and 3) to "Equities" (Level 1). FIRS 7 requires specific disclosures covering all transfers from one class to another: In this instance there has been no movements between investments level. A narrative should be included at the foot of the note to explain that no movement between levels has occurred. This has now been amended
3	Disclosure	£70m	Note 11a	We have noted that unrealised gains do not meet the accounting requirements of FIRS 7. The net change in market value £70.022m in Note 11a comprises of all gains, but no separate disclosure of unrealised gains has been provided. This standard requires separate disclosure of gains or losses for the period that are attributable to gains or losses relating to those assets and liabilities held at the end of the reporting period. Disclosure has been amended .
4	Disclosure	£7.3m,	Note 14 Securities Lending	Note 14 states that £7,262,214 worth of stock was on loan. From the current disclosure it could be interpreted as the pension fund has made a loan, and the amounts are no longer included within the investment measured at fair value. Officers have explained that under IAS39 the right and rewards of ownership have not been transferred, so does not meet the derecognition requirements of that standard, and are retained within the investment total. We have agreed this is a reasonable interpretation, but still feel further narrative is needed in Note 14 to clarify the position. An amendment has been agreed.

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	Account balance	Impact on the financial statements
5	Annual Report requirements		Annual Report	The Department for Communities and Local Government (DCLG) have recently adopted new CIPFA guidance issued relating to the production of annual reports for LGPS funds. This applies to the 2013/14 annual reports. The guidance includes additional new elements that will need to be complied with. The Pensions Fund will need to review its disclosure against the new requirements and publish an addendum to the Annual Report to cover any missing elements by 1st December. We issue a separate "consistent with" opinion on the annual report. To enable us to issue opinions and certify completion of audits by the statutory deadline we would encourage the pension fund to adopt the use of the addendum as advised by DCLG.
	Adjustment type	**Value**	**Account balance**	**Changes to be implemented in 2014/15**
6	Disclosure	£0	Level 3 financial instruments disclosures	FIRS 7 requires various disclosures for fair values derived using valuation method have been amended for , these include: **Inputs/assumptions used** Reporting entities are required to disclose, for each class of financial instruments, the methods and assumptions used when a valuation technique is used to derive its fair value and the assumptions made in doing so, even where the entity relies on third parties for the management of investments. **The affect of reasonable change in input/estimate** Following on above, there is also a requirement for the disclosure of inputs that may have significant impact on the fair value derived of level 3 financial instruments if there is a reasonable possibility for alternatives in the underlying assumptions. We have discussed this with officers of the Pension Fund, who accept the requirement for further disclosure and will work towards inclusion in the 2014/15 financial statements.

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which we request be processed, but which have not been made within the final set of financial statements. The Pensions Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Fund Account £'000	Net Asset Statement £'000	Reason for not adjusting
1	Investments There is a £2m understatement in respect of the HarbourVest valuation. The custodian, Northern Trust, reported a year end valuation of £57.3m using HarbourVest' s December 2013 market values to estimate the year end position. HarbourVest final 31 March 2014 statement provided to us was for a value of £59.3m.	2,000	2.000	Having given consideration to the matter, officers are not proposing to amend for this in 2013/14 as the sums are considered to be immaterial to the results of the Fund and its financial position at the year-end.
	Investments There is an overstatement of £1.6m in respect of Aberdeen Asser Management valuation and the value provided by the Custodian. Aberdeen Asset Management as the fund manager devalued (impaired) the securities named CG Mall Europe from £1.34m to nil but the custodian is still reporting them at gross value. The Fund has chosen to include the gross value in the Net Assets Statement. There is also a difference in relation to Corestate German Residential £0.98m as explained on page 9 of this report. Other trivial difference reduce the overall difference to £1.6m	-1,600	-1,600	Having given consideration to the matter, officers are not proposing to amend for this in 2013/14 as the sums are considered to be immaterial to the results of the Fund and its financial position at the year-end.
	Overall impact	**400**	**400**	

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Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

From the work we have completed we have not identified any significant weaknesses in internal controls.

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

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**	• We have not been made aware of any other 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**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A standard letter of representation has been requested from the Fund. This includes a reference to items that officers are not proposing to amend in 2013/14 on the basis that it is not material. and a request that the letter includes an appendix detailing the items not adjusted.
4.	**Disclosures**	• Our review noted some omissions which are limited to the issues noted in the table above, "Misclassifications & disclosure changes" on page 14.
5.	**Matters in relation to related parties**	• Note 27 of the financial statements details the related party transactions of the Fund. The note provides information of the key management positions, but does not disclose individuals' remuneration and employer pension contributions. However, the details in respect of the Head of Finance, Governance and Assurance are provided within the Shropshire Council financial statements. Pension Fund financial statements must be capable of standing alone from the local authority financial statements and our view is that appropriate disclosures should be made within the pension fund accounts in line with section 3.4 of the Code of Practice. We have included a recommendation in the Action Plan.
6.	**Going concern**	• 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

Fees, non audit services and independence

We confirm below our final fees charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Fund audit	22,430	22,430
Proposed fee variation – IAS 19 Assurances	1,979	1,979
Proposed fee variation – Repayment of the element of 2012/13 fee to meet costs of work by KPMG to be recharged to the Council	(2,976)	(2,976)
Total audit fees	**22,430**	**22,430**

IAS 19 Assurances

In line with Audit Commission standing guidance we are required to provide assurance to admitted body auditors over the reliability of the information provided by the Pension Fund to the actuary for the purposes of them making their IAS 19 estimates as in the previous year the Audit Commission has confirmed that this work is not currently included in the scale fee and therefore a fee variation is has been made to cover the cost of the work required by the admitted bodies.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 4: Future developments

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Developments relevant to your Pension Fund and the audit

Political | **Environmental** | **Social** | **Technological**

Developments relevant to the next financial year

1. Financial reporting

CIPFA has published best practice guidance relating to the identification and disclosure of administrative and investment management expenditure. This applies from 2014/15 and will enable consistent reporting across the LGPS facilitating more meaningful comparisons in this area. The definition is separated into three distinct categories of costs.

2. Legislation

Under the Local Government Pension Scheme (LGPS 2014), pensions will be calculated on Career Average Revalued Earnings (CARE) rather than a final salary basis from 1 April 2014. Administering authorities will need to ensure their updated administration systems are calculating new pensions accruals correctly from 1 April 2014; dealing effectively with more complex data requirements and that new contribution rates are being correctly applied by employers.

3. Actuarial valuation

Following the 31 March 2013 actuarial valuation all employers will need to consider the level of additional employer deficit contributions required and how to fund them.

4. Other issues

The number of LGPS employers continues to grow as local authorities outsource services. Affected funds need to consider the impact this has on its exposure to risks and reflect on the impact this has for their investment strategies.

Developments relevant to future periods

1. Financial reporting

Changes to the Pension SORP may affect the investment disclosures in the Net Asset Statement and Fair Value determination (changing the classification from level 1, 2 & 3 to A, B & C). A revised SORP will be issued in 2014 and may find its way into the LG code in 2015/16.

2. Legislation

From April 1 2015 The Pensions Regulator will have formal powers and responsibilities for oversight of the LGPS. This will include monitoring implementation of new governance arrangements, which require the creation of a scheme manager and pension board for each LGPS.

The Administering Authority will need to determine how it will meet the requirement to have a pension board and the consequent changes it will need to make to its general governance arrangements.

3. Structural reform

DCLG is consulting on the potential use of Collective Investment Vehicles and passive management of funds.

The outcome of this consultation may lead to a change in administration of some schemes and significant changes in investment strategies.

4. Other issues

The Pensions Regulator, Financial Conduct Authority and HMRC continue to commit resources to combat pension liberation schemes. More guidance and potential changes to HMRC registration of new schemes is likely.

Section 5: Communication of audit matters

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 auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system, **Medium** - Effect on control system, **Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Pensions Committee is required to approve management's proposed treatment of all unadjusted misstatements.	High	Having given consideration to the matter, officers are not proposing to amend for this in 2013/14 as the sums are considered to be immaterial to the results of the Fund and its financial position at the year-end.	19 September 2014 – Pensions Committee
2	The DCLG has adopted new CIPFA guidance relating to the production of annual reports for LGPS funds. This applies to the 2013/14 annual reports. The guidance includes additional new elements that will need to be complied with by the Pensions Fund, a published an addendum to cover any missing elements is needed by 1st December. We recommend this approach.	High	This is in hand, the changes have been noted from a review of the new guidance and an addendum will be presented to the November Pension Fund Committee	31 December 2014 - Head of Finance, Governance and Assurance

Appendix A: Action plan

Priority

High - Significant effect on control system, **Medium** - Effect on control system, **Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
3	Note 27 of the financial statements details the Related Party Transactions of the Fund. The note provides information of the key management positions, but does not disclose individuals' remuneration and employer pension contributions. The details in respect of the Head of Finance, Governance and Assurance are provided within the Shropshire Council financial statements. Pension Fund financial statements must be capable of standing alone from the local authority financial statements. Our view is that appropriate disclosures should be made within the pension fund accounts in line with section 3.4 of the Code of Practice.	Low	The Pension Fund Accounts have been prepared in accordance with CIPFA's LGPS Fund Accounts 2013/14, paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. The disclosures required by Regulation 7(2) – (4) of the Accounts and Audit (England) Regulations can be found in the main accounts of Shropshire Council.	Head of Finance, Governance and Assurance to consider for future financial statement.

Appendix B: Audit opinion

We anticipate that we will provide the Fund with an unmodified audit report

Local Government Pension Fund in Statement of accounts

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE COUNCIL

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Shropshire Council for the year ended 31 March 2014 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 2013/14.

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 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 Head of Finance, Governance and Assurance & Scheme Administrator and auditor

As explained more fully in the Statement of Responsibilities, the Head of Finance, Governance and Assurance & Scheme Administrator 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 Head of Finance, Governance and Assurance & Scheme Administrator ; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

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.

Grant Patterson,
Director for and on behalf of Grant Thornton UK LLP,
Appointed Auditor
Colmore Plaza 20 Colmore Circus Birmingham West Midlands B4 6AT
xx September 2014

Appendix B: Audit opinion

We anticipate that we will provide the Fund with an unmodified audit report

Local Government Pension Fund in Statement of accounts

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF SHROPSHIRE COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2014, which comprise the Fund Account, the Net Assets Statement and the related notes.

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 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 Head of Finance, Governance and Assurance & Scheme Administrator and the auditor

As explained more fully in the Statement of Responsibilities, the Head of Finance, Governance and Assurance & Scheme Administrator 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 you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Shropshire Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of only the: Introduction, Investment of Funds, Investment Performance returns, Statement of the Consulting Actuary and the Statement of investment Principles.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Shropshire Council for the year ended 31 March 2014 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Grant Patterson, in the name of Grant Thornton UK LLP,
Appointed Auditor
Grant Thornton UK LLP
Colmore Plaza 20 Colmore Circus Birmingham West Midlands B4 6AT
xx September 2014