



London Borough of Haringey Pension Fund ("The  
Fund")

Audit of Financial Statements 2008/09  
Report to those Charged with Governance 2008/09

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#### **Appendices**

<b>A</b>	<b>Reporting requirements of ISA 260</b>
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# 1 Executive Summary

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the objectivity of the engagement team
- nature and scope of the audit work
- the form of reports expected.

## 1.1 Purpose of report

The London Borough of Haringey ('the Council') is responsible for the preparation of accounts which record its financial position as at 31 March 2009 and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Council's accounts present fairly the financial position of the Council. Those accounts are required to include, as a separate appendix, the accounts of the Council's pension fund.

This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and the Pensions Committee of London Borough of Haringey Pension Fund ('the Fund') to specifically consider the key issues affecting the Fund, and the preparation of the Fund's accounts for the year ended 31 March 2009. We would point out that the matters dealt with in this report 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 accounts of the Council.

In consequence, our work did not encompass a detailed review of all aspects of the system and controls and cannot be relied upon necessarily to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might develop.

The document is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) (ISAUK) 260, and to report audit findings to "those charged with governance", designated as the Pensions Committee.

## 1.2 Status of audit

Our audit of the Fund is substantially complete. No matters remain unresolved which will prevent the full accounts being recommended for approval at the General Purposes Committee meeting on 24 September 2009.

## 1.3 Audit conclusions

Overall, our review of the Pension Fund concluded that the pensions department operates with the level of efficiency we would expect for a fund of its size. The working papers produced supporting the disclosures in the accounts were clear to understand. Documents were suitably annotated, demonstrating those that had been subject to peer review, by whom, and when the review had taken place.

There were no issues arising from our work this year. Paragraphs 2.3 to 2.5 therefore consider how the points raised last year have been actioned this year.

In section 3, we have highlighted potential audit adjustments arising from our work.

#### **1.4 Acknowledgements**

We would like to record our appreciation for the positive co-operation and assistance provided to us by the finance department and other staff at the Council during the course of our audit.

**Grant Thornton UK LLP**

**September 2009**

## 2 Detailed findings

### 2.1 Adoption of the revised SORP

The Fund accounts are required to adopt the revised Pension SORP (May 2007) for the first time this year. The most significant change to the disclosure in the accounts compared to previous years is that investments are required to be disclosed using fair values as follows:

- investments previously valued using mid-market prices are now required to use bid prices
- investments in derivatives contracts to be accounted for using fair values (previously such investments were accounted for using economic exposure).

The adoption of the revised SORP represents a change in accounting policy. Ordinarily this would require prior year balances to be re-stated to reflect revised presentation. The SORP however, recommends only amounts which would result in material differences to the opening balances to be re-stated. It was concluded that the change in presentation did not result in material differences to the opening balances, and thus no re-statement was considered necessary.

### 2.2 Evaluation of key controls

We have undertaken sufficient work on key financial controls for the purpose of designing our programme of work for the financial statements audit. Our evaluation of the Fund's key financial control systems did not identify any control issues that present a material risk to the accuracy of the financial statements.

We performed a high level review of the general IT control environments as part of the overall review of the internal control system and concluded that there were no material weaknesses within the IT arrangements that could adversely impact our audit of the accounts.

### 2.3 Use of shared bank accounts

As highlighted in our report last year, cash balances are held in shared bank accounts with Council main funds, and concerns were raised over the suitability of this practice in the longer term. Our review this year, as with last year, concluded that good controls are in place to ensure funds relating to the fund are easily identifiable.

[wording to mirror that of the overall audit. At time of issuing draft, still to be finalised]

Our recommendation remains that consideration is given to the Fund having its own bank accounts separate from those of the Council.

### 2.4 Timeliness of contributions receipts

Regulations require that contributions deducted from members' salaries are paid over to the fund by no later than the nineteenth day following the calendar month from which the contributions have been deducted.

During our review of contributions, it was noted for two of the scheduled and admitted bodies, contributions were late for between one and two months up to a maximum of five occasions each. This represents a significant improvement on our review last year where late contributions were experienced for ten of the scheduled and admitted bodies, where in some cases, contributions were late every single month.

### **2.5 Timeliness of settling benefit cases**

During our review of benefits paid during the year ended 31 March 2008, it was noted that in some cases, lump sum benefit payments were not being settled in a timely manner. This was due to the timing of the BACS run where some benefits had been approved for payment part way through the month, but were not paid until the month end BACS run.

No significant issues were noted from our testing this year.

## 3 Audit adjustments

During the course of our work, certain potential adjustments were identified, and have been actioned as detailed in the following paragraphs. All related to re-classification anomalies, thus having no impact on the net assets of the Fund.

### 3.1 Adjusted changes

The following item has been processed by management:

- A review of benefit payments showed that an amount totalling £422,305 relating to tax free cash sums had been included in pensions cost. The adjustment has no effect on the fund account, but facilitates comparison with prior year figures.

### 3.2 Unadjusted changes

A refund of overpaid added years contributions totalling £7,129 had been allocated to "Contribution refunds" as opposed to reducing the employee contributions disclosure. There is no impact on the net assets of the fund, and it is not considered significant to have an adverse impact on the presentation in the fund account.

## A Reporting requirements of ISA 260

The principal purpose of the ISA 260 report is:

- To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and those charged with governance.
- To share information to assist both the auditor and those charged with governance fulfil their respective responsibilities.
- To provide to those charged with governance constructive observations arising from the audit process.

### **Matters Reported under ISA 260**

Area	Key Messages
<b>Independence</b>	<p>We are able to confirm our independence and objectivity as auditors and draw attention to the following points:</p> <ul style="list-style-type: none"><li>• We are independently appointed by the Audit Commission.</li><li>• The firm has been assessed by the Audit Commission as complying with its required quality standards.</li><li>• The appointed auditor and client service manager are subject to rotation every 5 years</li><li>• We comply with the Auditing Practices Board's Ethical Standards.</li></ul>
<b>Audit Approach</b>	<p>Our approach to the audit was set out in our 2008/09 audit plan. We have planned our audit in accordance with auditing standards and the Audit Commission's Code of Audit Practice. Other key factors to highlight include:</p> <ul style="list-style-type: none"><li>• We consider the materiality of items in the financial statements in determining the audit approach and in determining the impact of any errors.</li><li>• We have been able to place appropriate reliance on the key accounting systems operating at the Fund for final accounts audit purposes.</li></ul>



Area	Key Messages
<b>Accounting Policies</b>	<p>We consider that the Fund has adopted appropriate accounting policies in the areas covered by our testing. Accounting policies were in accordance with the Local Government Pension Scheme Regulation 2007 (As Amended) and with guidelines set out in the Code of Practice of Local Authority Accounting in the United Kingdom 2008. The financial statements also comply with Statement of Recommended Practice, Financial Reporting of Pension Schemes (Revised May 2007), as applicable to Local Government Pension Schemes.</p> <p>The Pensions Committee should confirm that it is satisfied that the accounting policies adopted are the most appropriate, as required by FRS 18.</p>
<b>Audit Adjustments</b>	<p>We have discussed with management a number of adjustments to the accounts primarily to improve the fair presentation of the financial statements as well as the clarity and presentation of disclosure notes.</p> <p>These adjustments are summarised in paragraph 3.1.</p>
<b>Unadjusted Errors</b>	<p>From the audit results mentioned previously we have identified one unadjusted error which was not material to the pension fund accounts. This has been disclosed in paragraph 3.2.</p>
<b>Other Matters</b>	<p>No material weaknesses in internal control were identified during our audit.</p>