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

Audit of Financial Statements 2010/11
Report to those Charged with Governance

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Appendices

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 2011 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 Corporate 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 2011. 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 Corporate 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 Corporate Committee.

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.

In section 2 we highlight new issues identified during the course of the audit. Section 3 provides a summary of how matters raised during previous audits have progressed.

In section 4, we highlight how potential adjustments identified during the audit were concluded.

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 2011

2 Detailed findings during the 2010/11 audit

2.1 Additional contributions deduction testing

At the request of the Pensions Committee, in addition to testing contribution deductions from the main payroll, the payroll for members from an additional employer was also tested to ensure that contributions were being deducted and paid over at the correct rates. The Employer chosen this year was RM Education. No issues arose from that testing.

2.2 Anomalies in relation to Investment valuations

When preparing the accounts, reports obtained from the custodian are used as the basis for preparing the accounts. Quarterly reconciliations are carried out, and significant differences are pursued with the custodian. Our work includes obtaining, and comparing, independent valuation reports from both the custodian and fund managers to ensure consistency with the accounts, and with each other.

For the purposes of our audit, differences greater than 0.3% between individual fund manager and custodian valuations are investigated further.

The following points were noted:

ING

The Pension team identified a difference between the valuation provided by ING and the valuation provided by Northern Trust. The total value reported by Northern Trust (NT) in relation to ING amounted to £50.9m as compared to that provided directly by ING amounting to £50.6m equating to 0.71% difference. This variance was investigated by the Pension team and discussed with ING, as a result a pricing error of £183k was identified and adjusted for by the Pension team. Further differences identified related to valid accruals included by NT but not by ING. The remaining difference was insignificant and we therefore conclude that the value in the accounts is reasonable.

We note that the difference was identified and resolved by the Pension team before commencement of the audit.

Pantheon

The normal valuation date for the private equity funds held with Pantheon is 31 December. The valuation in the financial statements takes into account cash movements from the valuation date to the end of the financial year. We concur that the valuation method adopted is in accordance with the accounting policy.

A choice is available when valuing such investments, the choices being to either adopt the March valuation or to start from the December valuation and adjust the value taking into account the cash movements to March. Either approach is acceptable under accounting standards and therefore we concur with the approach adopted.

First time adoption of IFRS

In order for the Fund to comply with the code of practice "the code" on local authority accounting the Fund is required to adopt International Financial Reporting Standards ("IFRS") for the first time for the year ended 31 March 2011.

In accordance with the transitional requirements, comparative Net Assets Statements and relevant notes have been prepared as at 31 March 2010 and 1 April 2009. While adoption of IFRS has not resulted in any material changes to figures in the financial statements, the following additional disclosures have been made:

- Current assets and liabilities – further analysis between types of debtors and creditors;
- Actuarial present value of promised retirement benefits;
- Nature and extent of risks arising from financial instruments.

The Pension Fund has adopted 'Option C' under International Accounting Standard 26 Accounting and Reporting by Retirement Benefit Plans ("IAS 26"). On this basis the Pension Fund has not included the pension liability within the net assets statement but included in Annex 1 as provided by the actuary Hymans Robertson LLP.

3 Update on matters identified in prior years

3.1 Use of shared bank accounts

As previously highlighted, 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 previous reviews concluded that good controls are in place to ensure balances relating to the fund are easily identifiable from Council funds.

Whilst accepting that the use of shared bank accounts was in accordance with existing regulations, our recommendation that consideration is given to the Fund having its own bank accounts separate from those of the Council remained.

Update to the year ended 31 March 2011

In the light of revised regulations due to come into force from April 2011, separate banking arrangements were in place from September 2010.

3.2 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 the year ended 31 March 2010 it was noted that in total there were 33 late payments 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.

Update to the year ended 31 March 2011

Our review this year revealed the following:

We noted during our contributions testing that 3 bodies of the pension fund were not transferring contribution payments to the council within the 19 day limit. This occurred on 16 occasions. For one of the bodies there was one late payment, for another body there were 10 late payments and for a third body there were 5 late payments. Of these instances 14 payments were made within a month of the due date and 2 payments were made between 1 and 2 months of the due date.

Late payments are followed up and chased by the Pension Admin team on a monthly basis and the results are reported to the committee quarterly.

4 Audit adjustments

No potential adjustments were identified.

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
Independence	We are able to confirm our independence and objectivity as auditors and draw attention to the following points: We are independently appointed by the Audit Commission. The firm has been assessed by the Audit Commission as complying with its required quality standards. The appointed auditor and client service manager are subject to rotation every 5 years We comply with the Auditing Practices Board's Ethical Standards.
Audit Approach	Our approach to the audit was set out in our 2010/11 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: We consider the materiality of items in the financial statements in determining the audit approach and in determining the impact of any errors. We have been able to place appropriate reliance on the key accounting systems operating at the Fund for final accounts audit purposes.

Area	Key Messages
Accounting Policies	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. The Corporate Committee should confirm that it is satisfied that the accounting policies adopted are the most appropriate, as required by accounting standards.
Audit Adjustments	No potential adjustments were required.
Unadjusted Errors	We have not identified any adjustments that we consider to be material to the financial statements.
Other Matters	No material weaknesses in internal control were identified during our audit.