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Dear Councillor

SUPERANNUATION FUND COMMITTEE - FRIDAY, 21 NOVEMBER 2008

I am now able to enclose, for consideration at next Friday, 21 November 2008 meeting of the Superannuation Fund Committee, the following reports that were unavailable when the agenda was printed.

Agenda No Item

2. External Audit - to follow (Pages 1 - 8)

Yours sincerely



Peter Sass
Head of Democratic Services & Local Leadership

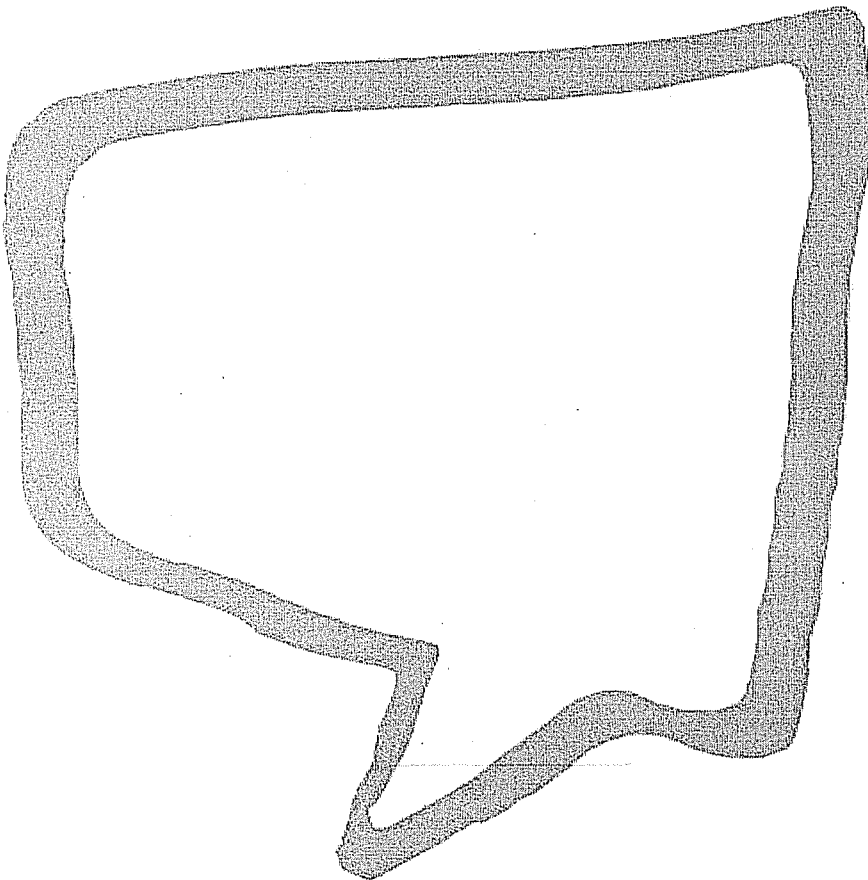
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Superannuation Fund Annual Report audit

Kent County Council

Audit 2008/09

November 2008



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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. They 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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Introduction

- 1 This report summarises the findings from our audit of the Superannuation Fund's Annual Report for 2007/08.
- 2 The Fund's annual accounts for 2007/08 were subject to our audit which was undertaken as part of our work on Kent County Council's accounts. We reported the outcomes of both the Fund and the Council's accounts within our Annual Governance Report to the Council's Governance & Audit Committee in June 2008 and subsequently issued an unqualified opinion on the both the Fund's and Council's accounts in July 2008.
- 3 We discussed our findings from the Fund's accounts audit at the Superannuation Fund Committee on 12 September 2008 and stated that the further work was being undertaken on the Fund's Annual Report for 2007/08 and that this would be reported to the Committee once finalised.

Background

- 4 The Council is required to prepare and present its financial statements in accordance with proper accounting practice under the Local Government Act 2003 and the Audit and Accounts Regulations 2003, as amended by the Accounts and Audit (Amendment) Regulations 2006. The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (LA SoRP) 2007 constitutes proper accounting practice and it requires the inclusion of the financial statements relating to a superannuation fund within a council's statement of accounts where that council administers such a fund.
- 5 The Audit Commission was appointed to audit these statements in accordance with the Audit Commission's Code of Audit Practice which requires us to issue an audit opinion that concludes whether or not the Council's financial statements including the Superannuation Fund accounts present fairly the financial position at the year end.
- 6 In previous years your external auditors have undertaken separate work on the Fund's Annual Report and we recognise that the Council sought to be a sector leader in terms of its governance arrangements of the Fund through this arrangement. For 2007/08 this work has been undertaken by the Commission outside of its mandatory Code of Audit Practice work. The details of the work done and our findings are set out later in this report and are in line with the audit arrangements set out in our letter to the Director of Finance on 22 August 2007.
- 7 The Department for Communities and Local Government has issued 'The Local Government Pension Scheme (Amendment) (No.3) Regulations 2007 (the Regulations)'. These include a compulsory requirement for all local authorities that administer pension schemes to produce fund annual reports with effect from 1 April 2007 although they do not require mandatory auditing under the Audit Commission's arrangements until the 2008/09 audit. Later this year we will issue a separate plan for the 2008/09 audit of the Superannuation Fund which will set out the statutory nature of our work including this requirement. It is of note that our 2008/09 work will now result in separate Annual Governance Reports at the conclusion of the audits of the Council's and Fund's accounts.

Audit Approach

- 8 Our work on the Fund's Annual Report 2007/08 consisted of the following:
- a check to ensure that the financial information set out in the Annual Report is consistent with the Fund's financial statements, as set out in the Council's financial statements for 2007/08, on which we gave an unqualified opinion in July 2008. The output of his work is a formal audit opinion;
 - to review the Annual Report against the requirements of the Regulations and to highlight where the format of the current Report can be enhanced to meet the Regulations in advance of the formal audit of next year's Report;
 - to review the Annual Report to see if it complies with the Financial Reports on Pensions Schemes - A Statement of Recommended Practice 2002. There is no mandatory requirement for the Annual Report to comply fully but in doing so it does indicate whether the Fund's Annual Report follows the guidance set for private sector annual reports, where applicable to local government schemes; and
 - to review the Annual Report to establish whether it complies with the Financial Reports on Pensions Schemes - Statement of Recommended Practice 2007 which applies to those Reports from the financial year 2008/09. This provides guidance on the changes in the new SoRP in order that next year's Report continues to follow the latest guidance set for private sector annual reports, where applicable to local government schemes.

Conclusions

- 9 The audit of the Fund's Annual Report 2007/08 is complete and we will issue an audit opinion confirming that the financial information set out in the Report is consistent with the Fund's accounts, as set out in the Council's accounts for 2007/08. The draft audit opinion is shown at Appendix 1.
- 10 The Annual Report 2007/08 is nearly fully compliant with the Pension SoRPs for 2002 and 2007 and this commendable. We identified a small number of areas of where, in our view, there could be fuller compliance in terms of private sector requirements.
- 11 In future years the Annual Report should include the Governance Compliance Statement in order to comply with the Regulations.
- 12 Our findings are set out in Table 1 below.

Table 1 Comparison of The Fund's Annual Report 2007/08 to the requirements of The Local Government Pension Scheme (Amendment) (No.3) Regulations 2007 and Pension SoRPs 2002 and 2007

Issue	Detail
1	Both SoRPs require disclosure of who has powers to appoint and remove those responsible for maintaining a pension fund (ie the Fund Committee's members).
2	Both SoRPs 2002 and 2007 require that the investment report includes a note of the policy for the custody of the scheme assets.
3	Both SoRPs and the Regulations at section 76B(1)(e) require that the Governance Compliance Statement is included in the Annual Report. We recognise that a Statement had been approved by the Fund Committee in March 2008 as required by the Regulations and that many of the elements of the Statement were shown in the 2007/08 Report.
4	The SoRP 2007 requires a note to the net assets statement explaining why no account is taken of obligations to pay pensions and where to find the actuarial report that does take it into account.
5	The SoRP 2007 requires a more detailed investments note including details of the treatment of the transactions costs and indirect costs.
6	The SoRP 2007 requires enhanced details including the accounting policy for derivatives and futures and information on the contracts.

Appendix 1 - Auditor's Report

- 13 The draft audit opinion is contained in the Audit Report below. This shows that the financial information set out in the Superannuation Fund's Annual Report for 2007/08 is consistent with the Fund's accounts, as set out in Kent County Council's accounts for 2007/08.

Independent auditor's report to the Members of Kent County Council on the Superannuation Fund's Annual Report 2007/08 (DRAFT)

I have examined the financial statements included in the Superannuation Fund's Annual Report which comprise the Fund Account, the Net Assets' Statement and the related notes.

This report is made solely to Kent County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of Chief Finance Officer and auditors

The Chief Finance Officer is responsible for preparing the Annual Report in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes 2002'. My responsibility is to report to you my opinion on the consistency of the financial statements within the Annual Report with the statutory financial statements. I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the statutory financial statements.

Basis of opinion

I conducted my work in accordance with paragraphs 15-18 of Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board.

Opinion

In my opinion the financial statements included in the Annual Report are consistent with the statutory financial statements of the Authority for the year ended 31 March 2008.

Darren Wells
District Auditor
Audit Commission, 16 South Park, Sevenoaks, Kent, TN13 1AN
(Date to be confirmed)

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