



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Audit of Financial Statements Report

Powys Pension Fund

Audit year: 2012-13

Issued: September 2013

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The team who delivered the work comprised: John Herniman, Anthony Veale, Gareth Rees and Andrew Davies.

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The Appointed Auditor intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

1. The Appointed Auditor is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Powys Pension Fund at 31 March 2013 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative levels at which we judge such misstatements to be material for Powys Pension Fund are £258,000 for income and expenditure items and working capital balances, and £4,258,000 for other balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of Powys Pension fund for 2012-13, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2013 on 28 June 2013 as planned and have now substantially completed the audit work.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Council Officers.

Proposed audit report

8. It is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
9. The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

10. There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

11. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.
12. The draft statement of accounts did not contain all the accounting policy disclosures that are recommended by the CIPFA Accounting Code of Practice therefore a number of additional disclosures were added including expanding note 14 (Current Assets and Liabilities) to explain the reason for the material change in balances compared with previous year.
13. In addition to some minor amendments, the two substantive adjustments made to the accounts are explained below:

Value of correction	Nature of correction	Reason for correction
+£17,436	A claim was settled by Axa Rosenberg in favour of Powys Pension Fund and paid to the Fund after the year end. This adjustment brings that item into the accounts as at 31 March 2013 as other income on the fund account and accounts receivable on the net assets statement.	To ensure the accounts provide an updated position of conditions existing at the balance sheet date.
-£74,109	Final year end valuations for CBRE And Harbourvest fund managers were received after the production of the draft financial statements. These valuations decreased the holding held by CBRE on behalf of the pension fund by £392,763 and increased the holding held by Harbourvest on behalf of the pension fund by £318,653.97. The value of correction represents the net amount of these figures.	To provide accurate year-end valuations on the net asset statement and the classification disclosed at Note 10 and 11.

Other significant issues arising from the audit

14. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:
 - **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.

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- **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work.
 - **There were two significant matters discussed and corresponded upon with management which we need to report to you.**

Updating membership statistics - the year-end membership statistics (actives, deferreds and pensioners) were subject to a data cleansing process which necessitated an update to the figures included in the draft financial statements. Officers have confirmed that arrangements are being made to strengthen the process between employers and the Pension Fund to ensure membership statistics are updated on a timely basis. These arrangements will be supported with training for employers. We recommend that these arrangements are implemented to ensure that the Pension Fund maintains accurate membership data.

Incorporating the Pension Fund within the Governance Statement for Powys County Council – we note that the Governance Statement for Powys County Council makes no reference to the Powys Pension Fund. The Powys Pension Fund governance arrangements form part of the overall governance arrangements for the Authority (as the designated statutory body responsible for administering the Powys Pension Fund). Whilst the Powys Pension Fund financial statements makes reference to key governance arrangements in respect of the Pension Fund, we recommend that appropriate reference is included within the Powys County Council Governance Statement in 2013-14.

- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls.** We report these where you are not already aware of them or where they may be symptomatic of broader weaknesses in the overall control environment.
- **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

15. As part of the finalisation process, we are required to provide you with representations concerning our independence.
16. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Powys Pension Fund that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

(Audit body Letterhead)

Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ
26 September 2013

Representations regarding the 2012-13 financial statements

This letter is provided in connection with your audit of the financial statements of Powys Pension Fund for the year ended 31 March 2013 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the 2012-13 Code of Practice on Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

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- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
 - the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
 - our knowledge of fraud or suspected fraud that we are aware of and that affects Powys Pension Fund and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements,
 - our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
 - our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;
 - our knowledge that there are no issues with regards to the operation of the Fund Managers of which we are aware; and
 - the identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

There are no specific matters or issues that we are aware of in respect of pension fund regulators that could have an impact on the financial statements.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no misstatements identified in the financial statements that remain uncorrected.

Representations by Powys County Council as the administering authority for the Powys Pension Fund

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 26 September 2013.

Signed by:

[Officer who signs on behalf of management]

Signed by:

[Officer or Member who signs on behalf of those charged with governance]

Date: 26 September 2013

Date: 26 September 2013

Appendix 2

Proposed audit report of the Appointed Auditor to the Audit Committee of Powys County Council

Independent auditor's report to the Members of Powys County Council

I have audited the accounting statements and related notes of:

- Powys County Council; and
- Powys Pension Fund

for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004.

Powys County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

Powys Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts **set out on pages ... to ...**, the responsible financial officer is responsible for the preparation of the statement of accounts, including Powys County Council's and Powys Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Powys County Council's and Powys Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes.

If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Powys County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Powys County Council as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

Opinion on the accounting statements of Powys Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Powys Pension Fund during the year ended 31 March 2013 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

In respect of the Governance Statement, I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

[Appointed Auditor]

XX September 2013

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