

WIRRAL COUNCIL

CABINET

18 OCTOBER 2012

SUBJECT	STATEMENT OF ACCOUNTS 2011/12 - MERSEYSIDE PENSION FUND
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to present Members with the audited Accounts of Merseyside Pension Fund for 2011/12 and to respond to the Annual Governance Report (AGR) from Audit Commission.

2.0 BACKGROUND AND KEY ISSUES

2.1 The purpose of the Accounts is to present the overall financial position of the Pension Fund as at 31 March 2012; in accordance with prescribed guidance.

2.2 The un-audited Accounts was discussed at a meeting of the Merseyside Pension Fund Governance and Risk Working Party in July. They were also presented as part of a briefing session on the Wirral Council Statement of Accounts 2011/12 to Wirral Council Members on 4 September 2012.

2.3 On 25 September 2012 the District Auditor issued an unqualified opinion stating that the accounts present fairly the financial position of the Merseyside Pension Fund as at 31 March 2012. The Accounts will form the basis of the Merseyside Pension Fund Annual report for the year ended 31 March 2012.

2.4 The key changes made to the Accounts during the audit process in response to the issues raised by the District Auditor, and responses to his recommendations relating to Internal Control and other matters raised, are detailed in the Appendix.

3.0 RELEVANT RISKS

3.1 There are not directly relevant to this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 The Statement of Accounts has to be produced in accordance with statutory guidance and the Accounts are subject to review by the appointed Auditor.

5.0 CONSULTATION

5.1 There has been no specific consultation in respect of this report

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are no implications arising directly from this report

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 The financial implications are set out in Annual Governance Report.

7.2 There are no IT, staffing or asset implications arising from this report.

8.0 LEGAL IMPLICATIONS

8.1 There is a legal requirement to publish the Statement of Accounts.

9.0 EQUALITIES IMPLICATIONS

9.1 There are no equality implications arising directly from the Accounts so an Equality Impact Assessment (EIA) is not required.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are no implications arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are no implications arising from this report.

12.0 RECOMMENDATIONS

12.1 That Cabinet agrees the Statement of Accounts for 2011/12 and the Annual Governance Report.

13.0 REASONS FOR RECOMMENDATIONS

13.1 Under the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government, the District Auditor reports on Pension Fund Financial Statement, as part of those of the Council.

13.2 As the Pension Fund receives a separate AGR, this report has already been considered by the Pensions Committee on 18 September 2012 and the Audit and Risk Management Committee on 19 September 2012.

REPORT AUTHOR: Paddy Dowdall
Designation Investment Manager
Telephone (0151) 242 1310
Email paddydowdall@wirral.gov.uk

APPENDICES

Response to Annual Governance Report : Audit 2011/12
Merseyside Pension Fund Accounts 2011/12.

REFERENCE MATERIAL

The Statement of Accounts plus relevant working papers and the AGR from Audit Commission were used in the production of this report.

SUBJECT HISTORY

Council Meeting	Date
Pensions Committee	27 September 2010
Audit & Risk Management Committee	28 September 2010
Pensions Committee	19 September 2011
Audit & Risk Management Committee	28 September 2011
Pensions Committee	18 September 2012
Audit & Risk Management Committee	19 September 2012

APPENDIX 1

Response to Annual Governance Report : Audit 2011/12

1. Executive Summary

- 1.1 The key points are that subject to outstanding work there will be an unqualified opinion and that there are no material errors. All of the non material errors non trivial errors and disclosure errors have been amended. All of the recommendations have been agreed. The Audit Commission deliver a positive verdict on the conduct of the audit.

2. Explanation of Most Significant Corrected Errors (Non material)

- 2.1 Error
Overstatement of Pooled Investment Vehicles of £3.279 m due to incorrect currency rates being used.

Response

This was an error not picked up in management checks on accounts and subsequently amended.

- 2.2 Error
Mis-classification of investment management fee credit as investment income - amendment of £3.687m.

Response

This has no effect on the net assets statement of the fund and arguably is open to interpretation but officers are happy to accept Audit Commission's interpretation and to amend this.

- 2.3 Error
Re-classification of UK quoted equities to overseas quoted equities - amendment of £12.183 m.

Response

This is due to external UK Equities managers holding overseas equities within portfolios (This is permitted in the mandates as part of their unconstrained nature). For management accounting and performance measurement purposes these are treated as UK equities. The Fund is moving custodians and enhanced reporting from them will prevent a repetition of this error.

3. Recommendations relating to Internal Control

- 3.1 Finding
Out of date list of authorised employees within the Pension Fund to receive correspondence from external bodies, for example Fund Managers.

Recommendation R1

Ensure that the Pension Fund's authorised contacts list is updated.

Response

This exercise has been planned for some time and been delayed due to staffing issues and forthcoming banking changes. It will be implemented as part of communication exercise taking part within the implementation of new banking arrangements

4. Recommendations relating to other matters

4.1 Finding

Breach of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 in regards to investment limits.

Recommendation R2

Implement robust controls for monitoring and reporting against the investment limits set in the Statement of Investment Principles to ensure that future breaches of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 do not occur.

Response

The Fund has increased allocations to recent years in asset classes such as infrastructure which are invested through limited partnerships. The Fund has breached the limit of 5% to be invested in limited partnerships. Under the LGPS Regulations Pensions Committee through the Statement of Investment Principles is able to raise this limit to 15%. As reported to IMWP on 4th September officers will recommend to Pensions Committee in November to amend the SIP to increase this limit to 15%. Officers will also amend procedure for approval of new investments to include a check on these limits.

4.2 Finding

Compliance with requirements for Financial instruments disclosures

Recommendation R3

Review the current reporting arrangements for credit and liquidity risk, to enable fully compliant reporting in line with the Code of Practice on Local Authority Accounting in the United Kingdom.

Response

This is the first year of the requirement of these disclosures. Officers consider that they have met the requirements of the Code. There is a difference in the quantitative risks exposure of the Fund, as perceived by management of the Fund to that within the Code, the interpretation of auditors and advice issued by CIPFA. More work will be done on this, including dialogue with auditors and accountancy bodies which may result in amendments to the Statement of Investment Principles and future quarterly reporting practices to ensure that disclosures are fully compliant with the Code in future financial statements.