

London Borough of Barnet Pension Fund

Supplementary report to Audit Completion Report issued 25 August 2017

Prepared 6 September 2017

We note the following progress with the audit since we issued the Audit Completion Report dated 25 August 2017.

Membership data (page 7) and impact on pension liability (page 9)

No further errors were noted from the remaining tests of membership data.

As a result of the significant proportion of errors from our testing found in the accuracy of active members in the membership data at 31 March 2017, we discussed with the actuary the potential impact on the triennial valuation and the IAS 19 valuations for the fund and employers at 31 March 2017. The actuary has confirmed that the valuations at 31 March 2017 use the 'roll forward' of membership data at 31 March 2016 used in the triennial valuations and therefore these membership data errors do not impact on the valuation of the liabilities provided at 31 March 2017. The roll forward calculation uses actual payroll contributions received in 2016/17 and therefore members that left and no longer have employer or employee contributions would be removed from the liability calculation even where still recorded as active in the membership data.

The actuary commented that significant work was required to validate and cleanse the data used to prepare the triennial valuation and to build the dataset. He confirmed that he was satisfied that the adjusted membership data used in the triennial valuation was materially accurate. It was noted that, in his experience, there was a wide range of cleansing required for LGPS schemes, from those that are up to date and undertake regular validations to some that requires significant work. In his view, Barnet's dataset tended towards some of the poorest of the LGPS funds that he has worked with.

We recommend that the Council urgently undertake an exercise to cleanse and update the membership data.

Contributions receivable (page 11)

No further errors were noted from the remaining 18 sample items tested.

We found that the testing of augmentation income had issues with 4 of the 7 invoiced amounts where management could not provide adequate supporting documentation to illustrate the calculation of the enhancement costs. However, the employers have since paid the amounts due and therefore we accept that amounts have been properly calculated.

Potential difference on school's contributions (page 12)

Our testing identified that a number of schools appear to include higher amounts payable to the pension fund based on the payroll reports than have been receipted into the fund.

Management has yet to conclude on the investigation whether these amounts are payable. However, the differences are not material.

Bank letter confirmation (page 8)

We have not yet received the bank letter from RBS Bank to confirm the bank balance held by the pension fund. We have agreed the amounts to the bank statement held by the Council.

Fund manager valuation confirmations (page 13)

All required fund manager valuation reports have been received.

We require the service auditor assurance reports over the controls operated by the London CIV Real Return Fund and the Alcentra. Management have sent requests to the fund managers.

It is usual for administrating authorities to commission independent valuations from the custodian over investment valuations provided by the fund managers. Auditors use this information to independently confirm that accuracy of the valuations provided by the fund manager. In discussion with Council staff, we were informed that custodian valuations are payable on request and have not been requested this year. The Council has agreed to solely rely on the valuation reports provided by the fund manager.

National Fraud Initiative (page 16)

Counter fraud received data matches in January 2017 and have been passed to the Pension Service for review and action. It found instances where pensions were paid where the recipient was registered deceased.

Internal audit reviewed 4 cases and found that:

- 2 cases an overpayment letter and invoice had not been sent to recover the overpayment.
- 1 case where an initial overpayment letter was sent on 23 January 2017 asking for further details but the invoice could not be sent until this letter is responded to because the scheme provides benefits to a Spouse, Civil Partner or Dependant in the event of the member's death. However, no further action had been taken to obtain a response for this case.
- 1 case where the Pensions Team stated that they had not been notified that the individual was now deceased and it had not been flagged to them through existing channels.

Management stated that there is an arrangement in place for a monthly mortality screening of all member records, which identifies members who have died for whom they have not received notification. When bereavement is identified the system suspends future payments on the account to prevent overpayment. The HMRC 'Tell Us Once' service also sends out a notification to all relevant public agencies when a bereavement is registered with them. The fact exceptions have been noted suggests that these controls are not operating effectively.

Other receivables testing (page 17)

We have not yet received supporting information to support two debts relating to amounts raised for recovery in 2015 that have not yet been cleared.

These relate to:

- Member where transfer of pension was made in error at £64,807
- Middlesex University pension strain costs for July 2015 £60,915

No provision for non-recovery has been made and we will seek a management representation that you consider that these amounts remain fully recoverable.

Related party transactions testing (page 18)

No issues were found regarding testing of related party transactions testing from our Companies House searches.

Additional matters

Re-classification of London CIV

The draft financial statements require additional disclosure to explain the change in classification of the £150,000 London CIV from investment assets to Long Term Investment.

Annual report

We suggest including additional information in the annual report regarding the £129.3 million transfer from Netwon Assets to the London CIV Real Return Fund during the year.