



Local Pension Board

18 December 2023

Title	External Audit Update
Date of meeting	18 December 2023
Report of	Executive Director of Strategy and Resources (S151 officer)
Wards	All
Status	Public
Urgent	No
Appendices	None
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Summary

BDO are the Pension Fund's appointed external auditors for the 2020/21 and 2021/22 financial years. In line with International Standard on Auditing 260 (ISA 260) the Pension Fund's external auditors, BDO, should be provided with access to those charged with governance. This report is to update the Local Pension Board on the 2020/21 audit, and on the plan for the 2021/22 and 2022/23 audit.

Recommendations

That the Local Pension Board note the update on the 2020/21 audit, and the plan for the 2021/22 and 2022/23 audit.

1. Reasons for the Recommendations

1.1 Under Section 151 of the Local Government Act 1972 - "...every local authority shall make arrangements for the proper administration of their financial affairs...". Additionally, in accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the council's accounts and pension fund accounts.

2020/21 External Audit Update

1.2 In 2021 BDO presented their audit plan for the pension fund which gave an approximate audit end date of October 2021. However, to date the 2020/21 audit report is still outstanding.

- 1.3 BDO have provided a number of updates at previous Local Pension Board and at Pension Fund Committees.
- 1.4 To date officers have still not received the completed audit report.
- 1.5 BDO have advised that the Pension Fund committee that Pension Fund Accounts are ready to sign off, when the Council Accounts are ready to be signed off.
- 1.6 BDO have provided an update to the Governance, Audit, Risk Management and Standards Committee on 27th November 2023. As part of the Audit Status Report (item 9) presented at that meeting, BDO provided a progress and timeline report. This can be found here- Appendix A - BDO Audit Progress Timelines Report LB Barnet.pdf (moderngov.co.uk)
- 1.7 BDO have advised in this report that a few outstanding reviews and issues remain with the Council's Accounts, and have stated that these should be completed in January 2024, with the audit opinion report being published in February 2024.

2021/22 External Audit Plan

- 1.8 Due to the delays in completing the 2020/21 audit, BDO have advised that an audit plan report is not yet available.
- 1.9 The draft 2021/22 accounts have been published. The deadline for the publication of the accounts was 30th September 2022.
- 1.10 BDO advised at the March 2023 Pension Fund Committee that a draft plan for the 2021/22 accounts audit had been presented to Senior Officers, but not agreed.

2022/23 Accounts

- 1.11 The Draft 2022/23 Pension Fund accounts were published with the Main Council accounts before the statutory deadline on 31st May 2023.
- 1.12 Officers do not expect any audit plan to be presented until the completion of the 2021/22 audit.

Risks Arising from delay in signing off the Accounts

- 1.13 The delay in the sign off of the Accounts has potential risks for both the Pension Fund and its Employers. A summary of these risks identified, and any mitigations/controls can be found in the table below:

Risk	Affecting	Description	Mitigation/Control
Information in Accounts is incorrect/misstated	Pension Fund and Employers	Incorrect/misstated information can lead to starting position in prior years to be incorrect	2020/21 audit has no outstanding issues. 2021/22 and 2022/23 accounts prepared using the same process as 2020/21
Data used for Actuarial Valuation incorrect/misstated	Pension Fund and Employers	Incorrect/misstated information could lead to inaccuracies in the assumptions used in the actuarial valuation	2020/21 audit has no outstanding issues. Hymans Robertson collate data throughout year, and gather information from WYPF and investment advisors

Account preparation process not suitable	Pension Fund	Accounts preparation process misses key information resulting in misstatements in the accounts	2020/21 audit has no outstanding issues. 2021/22 and 2022/23 accounts prepared using the same process as 2020/21
Employer FRS102 reports contain misstated data	Employers	Employers receive FRS102 reports which contain misstated figures	Hymans collate data throughout year and from WYPF and investment advisors. Employers can query reports which do not reconcile with their data, and reports can be re-issued if necessary
Data in Pension Fund accounts used in Employer accounts	Employers	Employer accounts statement that rely on data from the Pension Fund Accounts could be misstated	Employer auditors have been asking WYPF, Hymans Robertson, and Fund Managers to verify figures in the unaudited accounts

2. Alternative Options Considered and Not Recommended

2.1 None

3. Post Decision Implementation

3.1 None- The external auditor will report to the Board following the conclusion of the audit.

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

4.1 The Local Pension Board supports the delivery of the Council's strategic objectives and priorities as expressed through the Corporate Plan, by assisting in maintaining the integrity of the pension Fund by monitoring the administration and compliance of the Fund.

Corporate Performance / Outcome Measures

4.2 Not applicable in the context of this report

Sustainability

4.3 Not applicable in the context of this report

Corporate Parenting

4.4 Not applicable in the context of this report.

Risk Management

4.5 The external audit ISA 260 report highlights areas of good control and areas of weakness which need to be addressed. Failure to do so carries the risk of adverse financial and/or reputational consequences.

Insight

4.6	Not applicable in the context of this report
	Social Value
4.7	Arrangements for proper administration of financial affairs and contributing to the Pension Fund ensures that contributing members have a secured income on retirement.
5.	Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)
5.1	This report sets out the framework for the assessment of the Pension Fund’s financial reporting and management as well as value for money.
5.2	The external audit fees for 2021/22 are £35,789 (£36,170 for 2020/21).
5.3	In accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the Council’s accounts and Pension Fund accounts.
5.4	The ISA 260 report must be considered by “those charged with governance” before the external auditor can sign the accounts”.
6.	Legal Implications and Constitution References
6.1	Under the terms of reference for the Local Pension Board, the role of the Board is to “ensure the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) for the London Borough of Barnet (LBB) = Pension Fund”.
6.2	Section 151 of the Local Government Act 1972 requires that “...every local authority shall make arrangements for the proper administration of their financial affairs”.
6.3	The Council is a public authority that is subject to the audit of its annual accounts by an external auditor. The Local Audit and Accountability Act 2014, Part 5 specifies the conduct of local audit. Part 3, regulation 9 of the Accounts and Audit Regulations 2015 requires that the statement of accounts must be considered by a committee or full council and approved by a resolution of that body. The accounts must then be signed by the person presiding at the meeting. The Section 151 officer must then reconfirm on behalf of the authority that they are satisfied that the statement of accounts presents a true and fair view of the financial position of the authority and its income and expenditure for that year.
6.4	The 2015 Regulations require that the final approved accounts are published not later than 30th September of the financial year immediately following the end of the financial year to which the statement relates. The audit did not commence until September 2021, and it was therefore not possible for it to be concluded in line with the statutory deadline. Part 2B Section 2.4.13 of the Council’s Constitution details the functions of the Governance, Audit, Risk Management and Standards Committee and include “To review and approve the annual statement of accounts and consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts.”
7.	Consultation
7.1	Not required
8.	Equalities and Diversity

- 8.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are; age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality.
- 8.2 Ensuring the long-term financial health of the Pension Fund will benefit everyone who contributes to it. Access to and participation in the Pension Fund is open to those with and those without protected characteristics, alike, provided that the criteria set out within the relevant Regulations are met.

9. Background Papers

- 9.1 None