

<p><u>MEETING</u></p> <p>PENSION FUND COMMITTEE</p>
<p><u>DATE AND TIME</u></p> <p>TUESDAY 21ST JULY, 2015</p> <p>AT 7.00 PM</p>
<p><u>VENUE</u></p> <p>HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4AX</p>

Dear Councillors,

Please find enclosed the revised paragraphs relating to Agenda Item 8 which will replace the paragraphs as currently set out in the main agenda and additional papers relating to the Agenda item 9 which were not available at the time of collation of the agenda.

Item No	Title of Report	Pages
8.	BARNET COUNCIL PENSION FUND PERFORMANCE FOR QUARTER JANUARY TO MARCH 2015	1 - 2
9.	PENSION FUND ANNUAL REPORT AND EXTERNAL AUDITOR'S REPORT UNDER INTERNATIONAL STANDARD ON AUDITING (ISA) 260 FOR THE YEAR 2014/15	3 - 28

Faith Mwende faith.mwende@barnet.gov.uk 02083594917

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Please find enclosed revised paragraphs relating to Agenda Item 8 which will replace the paragraphs as currently set out in the main agenda.

AGENDA ITEM 8

5.2.4 Summary: Over the quarter at a total scheme level the Fund's externally managed investments produced an absolute positive return of 4.2% and all the growth and bond funds produced positive absolute returns. In relative terms the scheme outperformed the liability benchmark by 1.4% and the overall funding level has risen by 0.5%. The attached performance report is the final monitoring report from JLT who provided investment consultant services until May 2015.

5.2.5 Diversified Growth Funds: The Newton Real Return DGF outperformed for the quarter with a 4.1% return versus a benchmark return of 1.1%. One year return was 6.7% compared to a benchmark return of 4.5%. The Schroder Diversified Growth Fund outperformed for the quarter, 4.3% versus a benchmark return of 1.1%. But one year return was 10.6% versus the benchmark return of 6.0%. The Growth Portfolio, comprising the two DGF funds, underperformed the third benchmark the notional 60/40 global equity benchmark, by 1.7% over the quarter and by 3.1% over 12 months

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The Audit Findings for the London Borough of Barnet Pension Fund

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

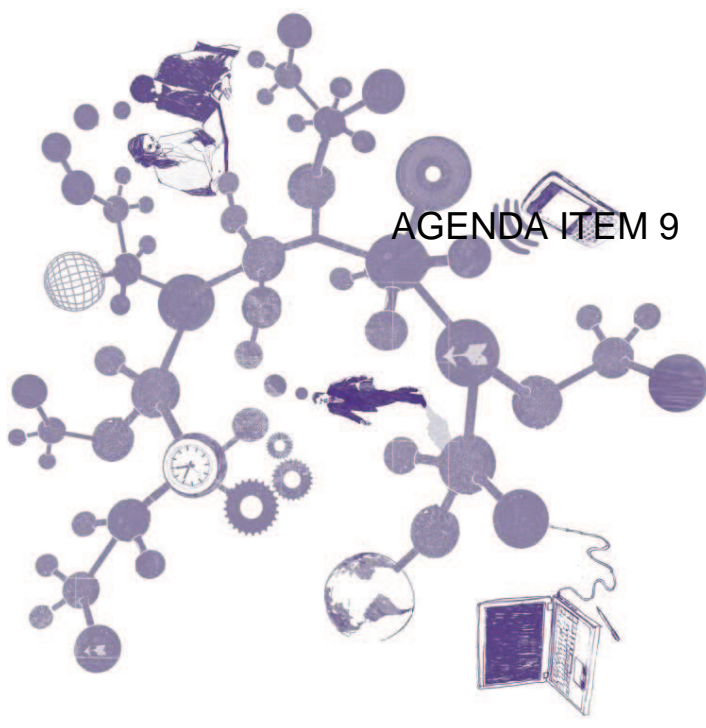
Year ended 31 March 2015

21 July 2015

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AGENDA ITEM 9



London Borough of Barnet Pension Fund
The Pension Fund Committee
North London Business Park
Oakleigh Road South
London
N11 1NP

21 July 2015

Dear Councillor Shooter and Pension Committee Members

Audit Findings for the London Borough of Barnet Pension Fund for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of the London Borough of Barnet Pension Fund, the Pension Fund Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Susan M Exton

Engagement lead, Pension Fund Engagement Lead

Chartered Accountants
Member firm within Grant Thornton International Ltd
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Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Fees, non-audit services and independence

04. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of the London Borough of Barnet Pension Fund's (the Fund) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Fund's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 27 May 2015.

We received draft financial statements at the start of our audit in accordance with the agreed timetable. However, not all working papers were received at the commencement of the audit and some were still being finalised in the second week of the audit. The quality of the working papers has deteriorated in comparison to prior year. A number of the working papers and notes to the Pension Fund Account were continually amended through the course of the audit though these changes were often not material. During the course of the audit, the trial balance was amended or updated and the draft accounts amended.

Our audit is substantially complete although we are finalising our work in the following areas:

- receipt and review of third party confirmation of the year end bank balance from Royal Bank of Scotland
- receipt and review of schools' payroll report on pension contributions
- review of the final adjusted Statements of Accounts and Annual Report
- receipt and review of representation from Chair of the Pension Fund Committee on oversight of managements arrangements over fraud risk assessment process
- updating our post balance sheet events review, to the date of signing the opinion.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the Fund's financial statements subject to clearance of the outstanding queries.

The draft financial statements recorded net assets as at 31 March 2015 of £922,659k and the post audit position stands at £924,374k.

Our review identified four non trivial errors within the notes to the Pension Fund Account statements which management agreed to amend. They were:

- Contributions Received and Benefits Paid of £752k previously recognised in 2013/14 was account for in error with 2014/15
- Investment purchases and sales of were accounted for incorrectly resulting in an increase in the 'change in market value of investments' of £1,643k
- Current Assets and Current Liabilities were accounted for incorrectly resulting in increases of year end debtor £4,260k and creditor £2,546k balances.

We have also identified a number of adjustments to improve the presentation of the financial statements.

Further details are set out in section two of this report.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council as the administering authority.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit have been discussed with the Chief Operating Officer and Director of Finance and the finance team.

We have made two recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Chief Operating Officer and Director of Finance and the finance team.

Acknowledgment

The 2014/15 year's audit marks the end of our contract under the Audit Commission regime as your external auditors. We would like to take this opportunity to record our appreciation for the assistance provided by the Audit and Pension Fund Committees, finance team and other staff over the last 7 years.

Grant Thornton UK LLP
July 2015

Section 2: *Audit findings*

01. Executive summary

02. Audit findings

03. Fees, non-audit services and independence

04. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Pension Fund Committee on 27 May 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 27 May 2015. Additional issues and risks identified during the audit are set out on page 13 below.

Audit opinion

We provide two opinions on the Pension Fund, as follows:

- an audit opinion on the Pension Fund financial statements included in the Council's Statement of Accounts
- an opinion on the Pension Fund financial statements included in the Pension Fund Annual Report, which confirms if these financial statements are consistent with the financial statements in the Statement of Accounts

We propose to issue an unqualified audit opinion on the Pension Fund financial statements in the Statement of Accounts is set out in Appendix B.

We also propose to give an unqualified opinion stating that the financial statements in the Annual Report are consistent with those in the Council's financial statements.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>1</p> <p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>We rebutted this presumption during the interim phase of the audit, which we communicated in the Audit Plan presented to the Pension Fund Committee on 27 May 2015.</p>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p>2</p> <p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management override of controls</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • walkthrough testing of controls • testing of journal entries • review of unusual significant transactions 	<p>Subject to the completion of our outstanding testing, our audit work to date has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of material and unusual journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>
<p>3</p> <p>Risk that the new accounting system Integra would result in Fund balances that are materially misstated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documenting our understanding of the controls put in place by management over data migration • testing the completeness of data migration to the new systems as part of our IT review • walk through tests of the new ledger system • review of subsystem reconciliations 	<p>We reported in the Audit Plan presented to the Pension Fund Committee on 27 May 2015 that delays in posting of Fund transactions to the ledger increases the risk of errors not being identified and materially mis-stated in the Fund statements. We confirm the accounting entries posted from Acclink into Integra are materially accurate.</p> <p>However, a higher than average number of opening and closing journals were processed by the team, predominantly following the implementation of the new financial system in April 2014. On review, these journals were often not adequately supported with appropriate explanations. This resulted in a significant number of follow up audit queries which has resulted in non trivial amendments to the investments change in market value, current assets and current liability disclosure notes.</p> <p>We recommend all journals processed in Integra received a system approval by an appropriate officer with a clear explanation prior to approval.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Investments</p>	<p>Investment activity not valid Valuation is incorrect</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented and confirmed the operation of controls around investment activities reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances tested a sample of purchases and sales during the year back to detailed information provided by the fund managers. as sufficient assurance was obtained from the work performed above, we did not need to complete the planned predictive analytical review for different types of investments. 	<p>Our audit work concluded that the value of investments at year end was materially accurate.</p> <p>However, we identified non trivial errors within purchases and sales (Note 10 Investments disclosure) arising from incorrect data provided by one of the fund providers when compared to the investment reports. The pension fund team process of validating acquisitions and disposals failed to identify the error.</p> <p>This validation process could be strengthened with a regular reconciliation of acquisitions and disposals to investment reports. These reviews should be signed off by a senior officer.</p>
<p>Contributions</p>	<p>Recorded contributions not correct.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding carried out analytical review of contributions and trend analysis month on month undertaken substantive testing on a sample of contributions received during the year to ensure they were deducted at the correct rate given the changes that have occurred following the introduction of LGPS 2014 	<p>Contributions income for March 2015 was treated as received as cash received rather than as a contributions debtor. This did not affect the overall reserves position or the total of current assets.</p> <p>Our audit work has not identified any other significant issues in relation to the risk identified. As a result, we have obtained sufficient assurance over the contributions recorded within the Pension Fund Account for 2014-15.</p>

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Benefit payments</p>	<p>Benefits improperly calculated/claims liability understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> confirmed the existence of controls operated by the Fund to ensure that all benefits are correctly calculated and that the appropriate payments are generated and recorded rationalised pensions paid with reference to changes in pensioner numbers and increases applied during the year to ensure that any unusual trends were explained. tested a sample of individual pensions, lump sums and commutations in payment by reference to member files but we did not re-perform any benefit calculations. 	<p>Our audit work has not identified any significant issues in relation to the risk identified, and thus we have obtained sufficient assurance over the benefit payments included within the Accounts.</p>
<p>Member Data</p>	<p>Member data not correct</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> confirmed the existence of controls and reconciliations covering the determination of member eligibility, the input of evidence onto the Pensions Administration System and the maintenance of member records also performed sample testing of changes to member data during the year, including the consideration of new starters within this exercise. 	<p>Our audit work has not identified any significant issues in relation to the risk identified, and thus we have obtained sufficient assurance over member data disclosed.</p>




New issues and risks identified during the course of the audit

This section provides commentary on new issues and risks which were identified during the course of the audit and were not previously communicated in the Audit Plan

Issue	Commentary
<p>1. Late completion and changes to the working papers</p>	<ul style="list-style-type: none"> • The working papers were not available at the at the start of the audit some were still being finalised into the second week of the audit. A number of the working papers also changed a number of times during the audit which resulted in eight versions of the trial balance with varying degrees of amendments to the Pension Fund Account. • The working papers themselves were variable in quality, with little backing provided for debtor and creditor balances shown in the draft accounts, and poor supporting evidence provided for the opening and closing journals made to the accounts. • The audit team found it necessary to revisit various test procedures as the errors were corrected and updated on supporting working papers • Additional work had to be carried out gain completeness over the existence of debtors and the completeness of creditors • The above has resulted significantly to the audit overrun resulting in additional audit fees <p>Management response</p> <ul style="list-style-type: none"> • At the commencement of the Audit some working papers were still being finalised as information was awaited on by third parties. The number of personnel changes this year in comparison to previous years and the change in both pension and financial system did create a challenge in completing some of the working papers and in hindsight producing a full set of financial statements at the end of period nine would have been beneficial, this will be implemented for 2015/16. The points made are currently being considered and current processes and procedures are currently being reviewed to ensure they are identical to those of the main Council
<p>2. Discrepancies between cash recorded in the GL and the bank statements</p>	<ul style="list-style-type: none"> • The audit team reconciled the bank balances per the statements to the balances recorded in the General Ledger • Each of the three bank accounts maintained had minor discrepancies in the reconciliation between the balance per the General Ledger and the balance per the bank statements. • These differences are trivial when compared to the size of transactions that are normally operated within the bank accounts, we would expect these differences to be investigated and cleared shortly after the year end. <p>Management response</p> <ul style="list-style-type: none"> • Any minor discrepancies in future will be reviewed on a monthly basis and where necessary escalated to Senior Management.
<p>3. Reconciliations</p>	<ul style="list-style-type: none"> • As evidenced by the number of amendments to investments, debtor and creditor balances, the review process for account reconciliations needs improvement. In particular, the process of sales and acquisitions of investments, debtors and creditor year end balances should be re-visited after the audit process to identify lessons that can be learnt to help strengthen the review and approval process to help improve control process for the future <p>Management response</p> <ul style="list-style-type: none"> • As per issue 1, the points made are currently being considered and current processes and procedures are currently being reviewed to ensure they are identical to those of the main Council.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	The Council's policy for Contributions and Investment Income is set out in Note 2 under Fund Account – Contribution Income and Investment Income.	The revenue recognition policy appears to be consistent with the Code of Practice of Local Authority Accounting and the findings from our audit of the financial statements. Refer to earlier comments on revenue recognition on Page 10.	 Green
Estimates and judgements	Key estimates and judgements disclosed in the notes to the accounts include: - Major sources of estimation uncertainty - Investment valuations - Pension Fund Liability	We reviewed the key estimates and judgements made by management within the material notes to the accounts. For the disclosures listed, we concluded they appear to be consistent in all material aspects with the guidance set out in the Code of Practice of Local Authority Accounting.	 Green
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	Our review of the Fund's accounting policies has not highlighted any issues which we wish to bring to your attention.	 Green

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation for the pension fund audit will be requested from Members at the conclusion of our audit.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We observed that an outstanding balance of £2,160k owed to LB Barnet was omitted from the disclosure of Related Party Transactions in Note 16 to the Financial Statements. This balance has now been included.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to RBS for bank and investment balances. This permission was granted and the requests were sent. We are currently awaiting one final confirmation.
7.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for investment, contributions, benefits payable and member data as set out on pages 11 and 12 above.

The controls were found to be operating effectively and we have no additional matters to report to the Pension Fund Committee. We have made recommendations to help strengthen your review processes.

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Fund Account £'000	Net Asset Statement £'000
1 HEFCE Income and Expenditure Income and expenditure previously recognised in 2013/14 was account for in error with 2014/15. The net effect was to overstate both income and expenditure – nil effect on the Fund's position at the year end. The error has been amended in the revised Fund statements and the corresponding Note 6 to the accounts	Contributions Income (752) Benefits Paid 752	Nil
2 Accounting for Investments Acquisitions and Disposals (Note 10) Purchases and sales were accounted for incorrectly. These errors were amended in the revised Fund statements.	Change in market value of investments 1,643	Nil
3 Current Asset and Current liabilities corrections of opening and closing journals	Transfer in 71	Employer contribution 3,121, Member contribution 1,000, Sundry Debtors 60, Cash balance 80 Accrued expenses (2,546)
Overall impact	1,714	1,714

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Investments Policies	n/a	Note 2 Account policies	CIPFA guidance suggests that accounting policies should be included for Financial Assets and Liabilities. The amendment has been made in the revised Fund statements.
2 Benefits Payable	46,385	Note 6 Benefits Payable	CIPFA guidance suggests that Benefits Payable should also be analysed by authority ie scheduled bodies, admitted bodies. Officers confirm this information is not readily available. A narrative explanation to this effect has been made in the revised Fund statements.
3 Prior year comparatives and current year	n/a	Note 8 Administrative Expenses and Note 11 AVCs	The prior year comparatives included in these notes were incorrectly stated. The prior year comparatives have been amended in the revised Fund statements and the current year's disclosure updated on receipt of valuations reports from AVC providers.
4 Related Party Transactions	2,160	Note 16 Disclosure of outstanding balances owed to related parties	An amount owed at the year end to LB Barnet of £2,160k was omitted incorrectly from Note 16 to the accounts. The amendment has been made in the revised Fund statements.

Section 3: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Fees, non-audit services and independence

04. Communication of audit matters

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Pension fund scale fee	£21,000	£21,000
Estimated fee variation		*£7,500
Total audit fees	£21,000	*£28,500

The Audit Commission defines the scale audit fee as "the fee required by the auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate statements with supporting working papers within agreed timeframes."

* Some of these assumptions underpinning the scale fee were not met in respect of the Fund account audit. We will discuss the impact of this on the fee with the Chief Operating Officer and Director of Finance. We estimate that additional fees will be approximately £7k - £8k

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 4: Communication of audit matters

01. Executive summary

02. Audit findings

03. Fees, non-audit services and independence

04. **Communication of audit matters**

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Ensure all journals processed in Integra received a system approval by an appropriate officer with a clear explanation prior to approval.	High	The Council are due to upgrade from Integra I to Integra II during the summer of 2015, this will include the introduction of journal approval and will allow supporting documentation to be loaded and stored within the system itself which can be reviewed by the approver.	End of August 2015, Paul Thorogood - Assistant Director of Finance
2	Carry out a post audit review of account reconciliations to identify lessons that can be learnt to help strengthen the review and approval process. Review should cover: <ul style="list-style-type: none"> • bank reconciliations, • Investment sales and purchases reconciliations • debtor and creditor balances. 	High	An end to end process and balance review will be completed, including the roles and responsibilities of all internal teams and external organisations.	End of September 2015, Iain Millar – Head of Treasury

Priority
High, Medium or Low

Appendix B: Audit opinion

We anticipate we will provide the Council with an unqualified audit report on the Pension Fund Account

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF BARNET

We have audited the pension fund financial statements of the London Borough of Barnet for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Pension Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of the London Borough of Barnet, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Operating Officer and Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Chief Operating Officer and Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which include the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Operating Officer and Director of Finance; and the overall presentation of the pension fund financial statements.

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In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2015, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Susan M Exton

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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