

**MEETING**

**LOCAL PENSION BOARD**

**DATE AND TIME**

**TUESDAY 9TH APRIL, 2019**

**AT 7.00 PM**

**VENUE**

**HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BQ**

**TO: MEMBERS OF LOCAL PENSION BOARD (Quorum 3)**

Chairman: Geoffrey Alderman

Vice Chairman: Hem Savla

Stephen Ross

Councillor Thomas Smith

Salar Rida

Vacancy

David Woodcock

Substitute Members

Councillor Helene Richman

Alice Leach

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted by 10AM on the third working day before the date of the committee meeting. Therefore, the deadline for this meeting is Thursday 04 April at 10AM. Requests must be submitted to [paul.frost@barnet.gov.uk](mailto:paul.frost@barnet.gov.uk)

**You are requested to attend the above meeting for which an agenda is attached.**

**Andrew Charlwood – Head of Governance**

Governance Service contact: Paul Frost

Media Relations Contact: Gareth Greene 020 8359 7039

**ASSURANCE GROUP**

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## ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes of last meeting	5 - 8
2.	Disclosable Pecuniary interests and Non Pecuniary interests	
3.	Absence of Members	
4.	Public Question and Comments (if any)	
5.	Report of the Monitoring Officer (if any)	
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13.	Any other exempt item(s) the Chairman decides are urgent	

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## Decisions of the Local Pension Board

11 February 2019

Members Present:-

AGENDA ITEM 1

Geoffrey Alderman (Chairman)

Stephen Ross  
David Woodcock

Councillor Thomas Smith  
Salar Rida

### 1. MINUTES OF LAST MEETING

RESOLVED that the minutes of the meeting held on 21 November 2019 be approved as a correct record.

### 2. UPDATE ON PENSIONS REGULATOR INTERVENTION

The Chairman requested that Mr Gareth Hopkins, Pension's Consultant for Barnet provide an update on intervention from the Pensions Regulator. Mr Hopkins stated that both himself and Mr Kevin Bartle, the Chief Finance Officer had been invited to visit the Pensions Regulator. Mr Hopkins stated the invitation was recently received and at this stage he was not clear on the intentions of the meeting. He stated that he would keep Members updated.

Resolved:  
That the update be noted.

### 3. DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS

None.

### 4. ABSENCE OF MEMBERS

An apology of absence was received from Hem Savla.

### 5. PUBLIC QUESTION AND COMMENTS (IF ANY)

None.

### 6. REPORT OF THE MONITORING OFFICER (IF ANY)

None.

### 7. MEMBERS' ITEMS (IF ANY)

None.

### 8. PERFORMANCE REPORT

Mr Gareth Hopkins, Pension's Consultant for Barnet introduced the report and gave a summary and noted the administration performance report for the period November to December 2018. He informed Board Members that although there was some improvement he was concerned on a number of issues that were captured within the report. He therefore requested that Mr Chis Dixon from Capita provide a response on the content on the report.

The Chairman invited Mr Dixon to give a verbal outline of the report which he duly did.

Mr David Woodcock noted that there was an error in the data in table 1. Mr Dixon said that he will provide an update to Board Members on this. Mr Woodcock also stated that the third-party forums had taken place and the content had been good but he stated that attendance had been very poor and he requested that this point be considered. Mr Dixon responded and stated that he would communicate this point to employers. The Chairman said that on the subject of employers responding to requests in a timely fashion he had reported the Board's concern to the Chairman of the Pension Fund Committee, Councillor Mark Shooter. He noted that he would again inform him of this point.

Mr Ross requested to know if there were any trends on the data that could be learning points that lead to actions. Mr Dixon said that his team always analyse and capture data and review the information regularly.

Mr Sala Rida said that the data on outstanding cases may have reduced during the quarter however he noted that third party stats had gone up. He asked how this was monitored and what the rationale was for the increase. Mr Dixon said that he was keen to close down cases and added that a review would take place in order to close down calls.

### **Resolved**

That the Local Pension Board noted the report and the current performance levels.

## **9. PENSIONS ADMINISTRATION STRATEGY**

Mr Gareth Hopkins, Pension's Consultant for Barnet introduced the report and gave a summary. He gave an overview of the appendices and requested that Members give consideration to the report.

The Chairman requested that Mr Chis Dixon respond to a question from Councillor Thomas Smith in respect of the Pension Administration Strategy, whether the data would be formalised and held anywhere else. Mr Dixon stated that Capita would need to hold all data centrally.

The Chairman gave his concerns stated that during the last few meetings it was clear to him that some critical admin activities had been overlooked. Mr Hopkins said that was a fair point and as part of the processes within the report both the Council and Capita were working to underpin responsibility and therefore it was important to adopt a Pension Administration Strategy that contained clear processes. The Chairman said that it was a requirement to have a checklist in order to capture where responsibility falls.

Mr Rida requested more information in regard to the online tool and what the timeline was to deliver this. Mr Dixon said that it was to ensure there was clear information

available online for Members and employers. Mr Hopkins said it was important to have a clear timeline and therefore he committed to report this to Board Members.

### **Resolved**

The Local Pension Board:

- noted the commentary provided in Appendix B
- agreed the recommendations
- provided feedback to Officers of the Council and Capita in respect to the Pensions Administration Strategy
- requested a timeline and further information be provided in order for commitment to be actioned.

## **10. RISK\_REGISTER**

Mr Gareth Hopkins, Pensions Consultant for Barnet introduced the report and gave a summary. He gave an overview of the appendices and requested that Members give consideration. He reminded Members that at the last meeting on 21 November 2018 it was agreed that the Risk Register be a standing agenda item. He added that there had been a lack of progress in relation to risk PB0010 relating to admission agreements and bond agreements. He said that there were a number of risks that concerned him.

Mr Stephen Ross said that he had some points which he wanted noted. He said that the business continuity comments were inconsistent. He stated that risk 3 was not rated high enough considering the volume of data. He outlined that a risk of a data breach should either be added or included in risk 3. He also noted that a risk on reputational risk should be contained. He also requested to receive more information in respect to item Risk 10.

Mr Hopkins said that there many admission arrangements that were not in place. He said that this risk was a concern and he noted that this issue is taking up a lot of resources in order to put right. He said there were many reasons for it to be flagged to Members and he added that it felt appropriate. Mr Hopkins said that he welcomed Mr Ross's comments and said he would consider how best to incorporate them within the risk register. Mr Hopkins said that he would like the opportunity to meet with Mr Ross and any other Members in order to accurately represent their views within the Risk Register.

### **Resolved:**

The board are asked to note the most recent risk register – in particular, recently added risk PB0010.

## **11. DATA\_QUALITY\_REPORT\_FINAL**

Ms Gemma Sefton from Hymans Robertson introduced the report. She provided the Local Pension Board with an update on the quality of the membership data that is required for the upcoming 2019 formal valuation of the Fund. She stated that data cleansing extract was uploaded to the Data Portal by Capita Employee Benefits on 6 December 2018. She noted that she hoped to have a better experience of the valuation this year. Ms Sefton informed Members of the timelines for Board Members which was noted. She highlighted that deadlines were significantly missed last year which held up reporting to the Pension Board Committee. She noted that she was working closely with Officers of Barnet and Capita in order to cleanse the data. Ms Sefton stated that at this

stage there were a number of critical errors and she hoped that good communications will enable accurate and timely reporting.

Councillor Smith noted the number of critical errors and understood that the valuation requires accurate data. He stated that the number of critical errors was unacceptable and something needed to be done. Mr Hopkins said that work had been undertaken whilst agreeing that this issue need to be resolved.

The Chairman requested that Mr Chis Dixon respond. He said that Capita were evaluating the data set. He stated that there was a project plan in place that will deliver good outcomes including an action plan. He said this will be lead to a reduction of errors and therefore a better valuation process will take place.

The Chairman stated that having considered the report and the verbal comments made he was appalled by the state of affairs and requested that this be minuted. He noted that this had happened before and he noted a case where it appeared that a Member of staff could not retire as there was no admission agreement was in place. Mr Hopkins noted this and stated that this work should have been performed and taken place in 2017. The Chairman again stated that he was appalled by this and that he would personally report this point to the Chairman of the Pension Fund Committee.

**Resolved:**

The Local Pension Board noted the content of the Hymans Data Quality Report (Appendix A).

**12. PENSION FUND COMMITTEE DECISIONS**

The Chairman noted the report.

Having considered the report the Board:

**Resolved:**

- That the Local Pension Board noted the procedures applied by the Pension Fund Committee when reaching decisions at recent meetings and considered any issues associated with those procedures and decisions. The outcome of these discussions to be reported back to the Pension Fund Committee
- That the board noted that the Chairman will communicate the outcome of the item to the Chairman of the Pension Fund Committee

**13. ANY OTHER ITEM(S) THE CHAIRMAN DECIDES ARE URGENT**

None.

The meeting finished at 19:58



	<h2>Local Pension Board</h2> <h3>09 April 2019</h3>
<b>Title</b>	<b>Member's Item</b>  <b>Mr Salar Rida – Reporting Breaches Protocol</b>
<b>Report of</b>	<b>Head of Governance</b>
<b>Wards</b>	All
<b>Status</b>	Public
<b>Enclosures</b>	None
<b>Officer Contact Details</b>	Paul Frost, Governance Service Team Leader Email: <a href="mailto:Paul.Frost@Barnet.gov.uk">Paul.Frost@Barnet.gov.uk</a> Tel: 020 8359 2205

### Summary

The report informs the Local Pension Board of Member's Item and requests instructions from the Committee.

### Recommendations

1. That the Local Pension Board instructions in relation to this Member's item are requested.

## 1. WHY THIS REPORT IS NEEDED

- 1.1 A Member of the Local Pension Board has requested that the item tabled below be submitted to the Local Pension Board for considering and determination. The Local Pension Board are requested to provide instructions to Officers of the Council as recommended.

Name of Board Member	Member's Item
<b>Salar Rida</b>	<p>Legislation imposes a requirement on certain persons in connection with the Scheme, which includes the Administrative Authority and Members of the Local Pension Board, to report breaches of the law to the Pensions Regulator where that person has reasonable cause to believe that:</p> <p>(a) A legal duty relating to the administration of the scheme has not been or is not being complied with, and;</p> <p>(b)The failure to comply is likely to be of material significance to The Pensions Regulator</p> <p>The following is therefore requested:</p> <p>1. That the Local Pension Board receive information detailing any identified breaches of the law, both those reported to the Pensions Regulator and those recorded, since its inception.</p> <p>2. That the Policy for Reporting Breaches of the law, which was approved by the Pension Fund Committee on 24 October 2017 be reported to the Local Pension Board for review of the procedure for recording and reporting breaches of the law in line with legislative requirements and the Pension Regulator's Code of Practice.</p>

## 2. REASONS FOR RECOMMENDATIONS

- 2.1 No recommendations have been made. The Local Pension Board are therefore requested to give consideration and provide instruction.

## 3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable.

## 4. POST DECISION IMPLEMENTATION

- 4.1 Post decision implementation will depend on the resolution taken by the Board

## 5. IMPLICATIONS OF DECISION

### 5.1 Corporate Priorities and Performance

- 5.1.1 As and when issues raised through a Member's Item are progressed, they will

need to be evaluated against the Corporate Plan and other relevant policies.

**5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 None in the context of this report.

**5.3 Legal and Constitutional References**

5.3.1 The Council's Constitution states that a Member, including appointed substitute Members of a Committee may have one item only on an agenda that he/she serves. Members' items must be within the term of reference of the body which will consider the item.

**5.4 Risk Management**

5.4.1 None in the context of this report.

**5.5 Equalities and Diversity**

5.5.1 Members' Items allow Members to bring a wide range of issues to the attention the relevant body in accordance with the Council's Constitution. All of these issues must be considered for their equalities and diversity implications.

**5.6 Consultation and Engagement**

5.6.1 None in the context of this report.

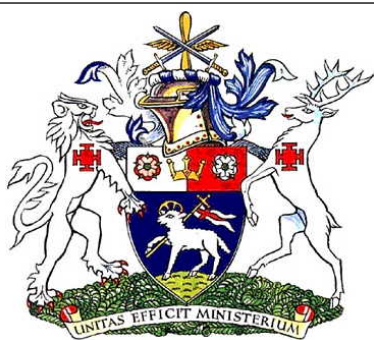
**6. BACKGROUND PAPERS**

6.1 None.

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## Local Pension Board

09 April 2019



<b>Title</b>	<b>Pension Fund External Audit Plan for the year ended 31 March 2019</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A - BDO External Audit Plan Work Plan 2018/19
<b>Officer Contact Details</b>	George Bruce, Head of Treasury & Pensions 0208 359 7126 <a href="mailto:george.bruce@barnet.gov.uk">george.bruce@barnet.gov.uk</a>

### Summary

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. BDO are the Pension Fund's appointed external auditors for the 2018/19 financial year.

Appendix A to this report sets out the audit plan for 2018/19. The Board are invited to comment on the plan.

### Recommendations

1. That the Local Pension Board note the audit strategy for the 2018/19 Report and Accounts and identify matters that the Board wish to bring to the attention of the Auditor.

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The Board's role is to assist the administering authority in securing compliance with scheme regulations and other legislation relating to the governance and administration of the scheme. The Board's terms of reference also include "ensuring the effective and efficient governance and administration of the Pension Fund". As part of the annual audit of the Pension Fund Financial Statements the auditors will provide a report setting out any matters they have identified including weaknesses in the control environment.
- 1.2 The audit plan contained at appendix A highlights the key elements of the external auditor's proposed audit strategy for the benefit of those charged with governance. The purpose of this report is to highlight and explain the key issues which the Auditor believes to be relevant to the audit of the annual accounts of the pension fund for the year ended 31 March 2019.
- 1.3 The report includes the following sections:
- |             |             |
|-------------|-------------|
| Materiality | page 4 & 29 |
| Audit risks | page 6 & 11 |
| Fees        | page 7 & 23 |
| Timeline    | Page 9      |
- 1.4 The risk discussed are mostly generic, however there is mention of issues that are specific to Barnet e.g. pension liability valuation (p13), membership disclosure (p14), invoicing of strain costs (p18) and Barnet Southgate College (p19).
- 1.5 The Auditor presented to the Pension Fund Committee on 26<sup>th</sup> March (attended by the Chairman of the Local Pension Board). The Committee requested that the auditor include testing of individual member records as part of the audit. We agreed for this year that the auditor will visit the administration centre at Darlington rather than audit remotely and has already undertaken a week's testing with the administration team and will visit again post year-end. The auditor will report back to both the Committee and The Board with their findings. The due date for audit sign-off is 31<sup>st</sup> July 2019.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 It is appropriate for the Board to review the auditor's work programme and have the opportunity to influence the testing undertaken by the auditor.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 None - statutory function

#### **4. POST DECISION IMPLEMENTATION**

- 4.1 The external auditor will report to the September Board to present their audit findings.

#### **5. IMPLICATIONS OF DECISION**

##### **5.1 Corporate Priorities and Performance**

- 5.1.1 A positive external audit opinion on the Pension Fund's Annual Report and Statement of Accounts plays an essential and key role in providing assurance that the Pension Fund's financial risks are managed in an environment of sound stewardship and control.

##### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 This report sets out the framework for the assessment of the Pension Fund's financial reporting and financial management as well as providing value for money.

- 5.2.1 The external audit fees for 2018/19 are £21,170 (2016/17: £43,810) including £5,000 for additional work with the administration team. Additional fees may be charged if the auditor is not provided with adequate working papers or if issues are identified during the audit. There was an additional charge in 2017-18 of £22,810 (included in the above cost).

##### **5.3 Social Value**

- 5.3.1 Contributing to the Pension Fund ensures that contributing members have a secured income on retirement.

##### **5.4 Legal and Constitutional References**

- 5.4.1 The requirement for an administering authority to prepare a Pension Fund annual report and provide the auditor's report to bodies who have employees who are active members of the scheme are contained in Regulation's 56 and 57 of the Local Government Pension Scheme Regulations 2013.

- 5.4.2 The Board's Terms of Reference include "ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund".

##### **5.5 Risk Management**

- 5.5.1 The external audit progress report attached 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.

## **5.6 Equalities and Diversity**

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 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, marriage and civil partnership.

## **5.7 Consultation and Engagement**

5.7.1 Not required.

## **5.8 Insight**

5.8.1 Not used - external report.

## **6. BACKGROUND PAPERS**

6.1 Auditors report on the 2017-18 Report and Accounts. See Local Pension Board 5<sup>th</sup> September 2018, agenda item 7.





Report to the Pension Fund Committee

# LONDON BOROUGH OF BARNET PENSION FUND

Audit Planning: year ending 31 March 2019

IDEAS | PEOPLE | TRUST



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# WELCOME

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We have pleasure in presenting our Audit Planning Report to the Pension Fund Committee of London Borough of Barnet Council (the 'Council'). This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process with those charged with governance.

It summarises the planned audit strategy for the year ending 31 March 2019 in respect of our audit of the financial statements of the Pension Fund comprising materiality, key audit risks and the planned approach to these, together with timetable and the BDO team.

The planned audit strategy has been discussed with management to ensure that it incorporates developments in the business during the year under review, the results for the year to date and other required scope changes.

We look forward to discussing this plan with you at the Pension Fund Committee meeting on 26 March 2019 and to receiving your input on the scope and approach.

In the meantime if you would like to discuss any aspects in advance of the meeting please contact one of the team.



Leigh Lloyd-Thomas

11 February 2019



**Leigh Lloyd-Thomas**

**Engagement Partner**

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e: leigh.lloyd-thomas@bdo.co.uk



**Michael Asare Bediako**

**Audit Manager**

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This report has been prepared solely for the use of the Pension Fund Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

# SCOPE AND MATERIALITY

## Executive summary

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Scope and materiality

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This summary provides an overview of the key audit matters that we believe are important to the Pension Fund Committee in reviewing the planned audit strategy for the Pension Fund for the year ending 31 March 2019.

It is also intended to promote effective communication and discussion and to ensure that the audit strategy appropriately incorporates input from those charged with governance.

### Audit scope

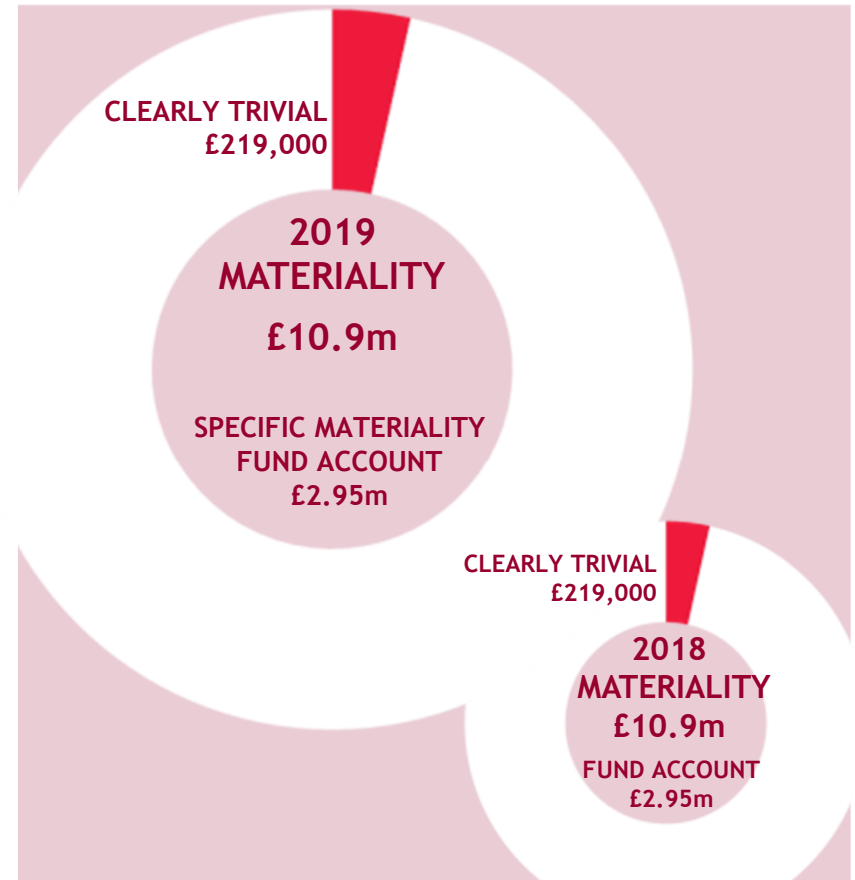
The scope of the audit is determined by the NAO's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements, ensuring that other information published together with the audited financial statements is consistent with the financial statements and our knowledge obtained during the audit, and reviewing the pension fund to check the consistency of the pension fund financial statements within the annual report with the pension fund financial statements in the statement of accounts.

Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the NAO.

### Materiality

Planning materiality for the pension fund financial statements will set at 1% of the valuation of investment assets. Specific materiality (at a lower level) may be considered appropriate for certain financial statement areas and we set materiality for the fund account at 5% of contributions receivable. This will be revisited when the draft financial statements are received for audit.

Although materiality is the judgement of the engagement lead, the Pension Fund Committee should consider whether the auditor's overall work plan, including planned levels of materiality and proposed resources to execute the audit plan, appears consistent with the scope of the audit engagement.



# AUDIT STRATEGY

## Executive summary

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Our Audit Strategy is predicated on a risk based approach, so that audit work is focused on the areas of the financial statements where the risk of material misstatement is assessed to be higher.

We have discussed the changes to the organisation, systems and controls in the year with management and obtained their own view of potential audit risk in order to update our understanding of the pension fund's activities and to determine which risks impact on the numbers and disclosures in the financial statements.

A lower level of materiality is applied to the areas of the financial statements that are considered to be sensitive, such as senior management remuneration disclosures, auditor's remuneration disclosures and related party disclosures.

We will continue to update this assessment throughout the audit.

The table on the next page summarises our planned approach to audit risks identified.

# AUDIT RISK OVERVIEW

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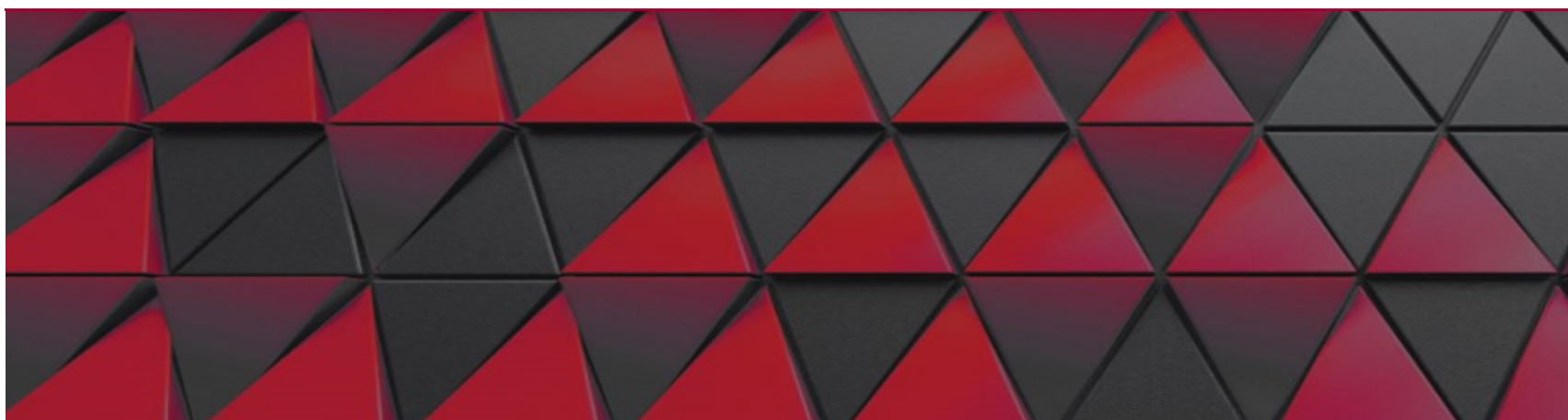
Audit risks

Independence

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Appendices contents

Risk identified	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management override of controls	Significant	Yes	Substantive	Medium
Pension liability valuation	Significant	No	Substantive	High
Membership disclosure	Normal	No	Substantive	Low
Valuation of investment assets	Normal	No	Substantive	Medium
Benefits payable	Normal	No	Substantive	Low
Classification of financial instruments (IFRS 9)	Normal	No	Substantive	Medium
Contributions receivable	Normal	No	Substantive	Low
Funding of Barnet and Southgate College deficit	Normal	No	Substantive	Medium



# INDEPENDENCE AND FEES

## Executive summary



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### Independence

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standard for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

### Fees

	2018/19 £	2017/18 £
PSAA scale fees	(1) 16,170	21,000
Proposed supplementary fee variation	(2) 5,000	(3) 22,810
<b>Total audit fees</b>	<b>21,170</b>	<b>43,810</b>

(1) PSAA has set the 2018/19 fee scale at £16,170 on the basis that individual fees for all opted-in bodies have been reduced by 23 per cent from the fees applicable scale fee for 2017/18 of £21,000. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms’ costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA is making in its own operating costs.

(2) Due to additional work planned in 2018/19 to address issues arising from 2017/18 and the request to undertake additional testing at Capita Employee Benefits at the Darlington site, we propose increasing the PSAA scale fee by £5,000 for 2018/19.

(3) The planned Code audit fee for 2017/18 was £21,000. Due to additional work in response to additional audit risks we have informed management that we intend to raise a supplementary invoice for £22,810 for a final audit fee of £43,810.

# OVERVIEW

## Audit scope and objectives

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- BDO team
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Key components of our audit objectives and strategy for the pension fund are highlighted and explained on the following pages.

Audit planning is a collaborative and continuous process and our audit strategy, as reflected here, will be reviewed and updated as our audit progresses.

We will communicate any significant changes to our audit strategy, should the need for such change arise.

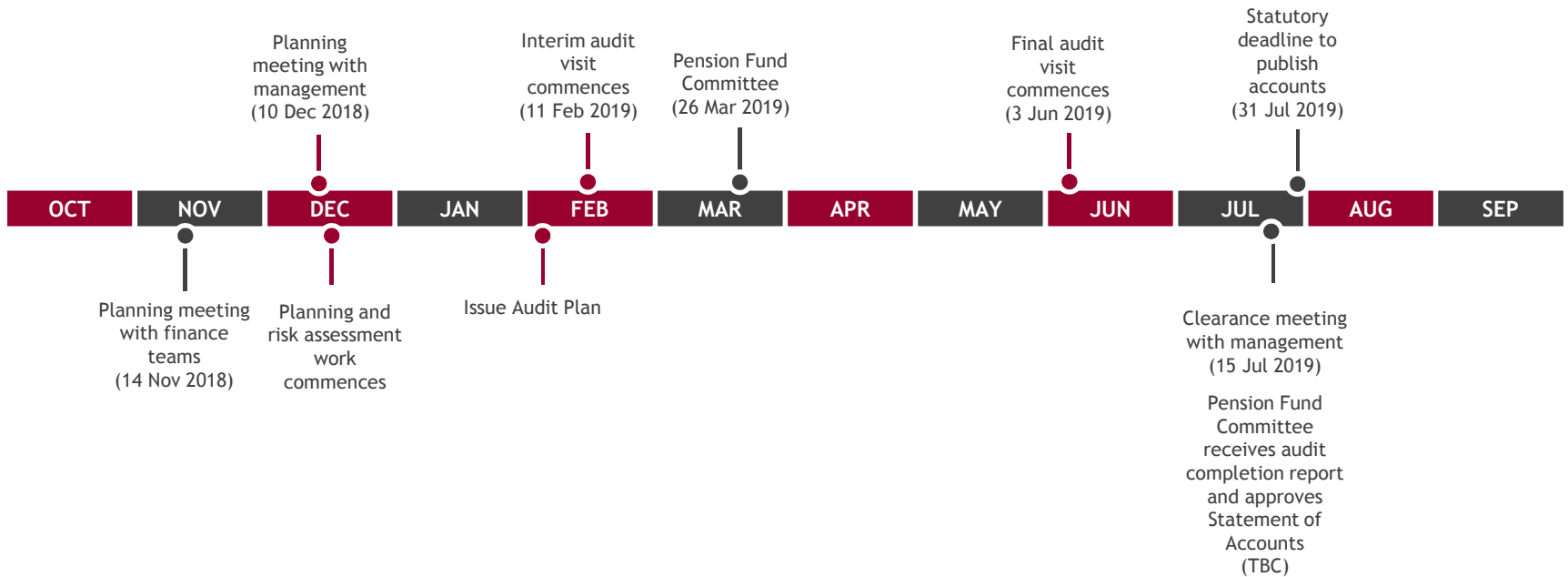
Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the NAO.
Financial statements	We will express an opinion on the pension fund’s financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2018/19 and other directions.
Pension fund report	We will review the pension fund annual report and report on the consistency of the pension fund financial statements within the annual report with the pension fund financial statements in the statement of accounts.
Report to the Pension Fund Committee	Prior to the approval of the financial statements, we will discuss our significant findings with the Pension Fund Committee. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.





# AUDIT TIMELINE

An overview of the key dates



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# BDO TEAM

## Team responsibilities



**Leigh Lloyd-Thomas**  
**Engagement Lead**

t: 020 7893 2616  
e: leigh.lloyd-thomas@bdo.co.uk

As audit engagement lead I have primary responsibility to ensure that the appropriate audit opinion is given.

In meeting this responsibility I ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to report on the financial statements and communicate as required by the ISAs (UK), in accordance with our findings.

I am responsible for the overall quality of the engagement and am supported by the rest of the team as set out here.



**Michael Asare Bediako**  
**Audit Manager**

t: 020 7893 3643  
e: Michael.asarebediako@bdo.co.uk

I will lead on the audit of the pension fund.

I work closely with Leigh to develop and execute the audit strategy. I will be a key point of contact on a day to day basis for the Pension Fund and will ensure that timelines are carefully managed to ensure that deadlines are met and matters to be communicated to Management and the Pension Fund Committee are highlighted on a timely basis.



**Vusal Asgarov**  
**Audit senior**

t: 01473 320878  
e: vusal.asgarov@bdo.co.uk

I will be the audit senior on the audit of the pension fund.

I work closely with Michael to execute the audit strategy. I will provide management support for audit.

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# OVERVIEW

We have assessed the following as audit risks. These are matters assessed as most likely to cause a material misstatement in the financial statements and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

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Description of risk	Significant risk	Normal risk	Overview of risk
1. Management override of controls			ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
2. Pension liability valuation			There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.
3. Membership disclosure			There is a risk that the membership database may not be accurate to support the disclosure in the accounts.
4. Valuation of investment assets			There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.
5. Benefits payable			There is a risk that benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.
6. Classification of financial instruments (IFRS 9)			There is a risk that financial instruments are not classified and measured in accordance with new financial reporting standard.
7. Contributions receivable			There is a risk that employers may not be calculating contributions correctly and paying over the full amount dues (on normal and deficit rates) or that the pension fund does correctly charge costs arising on pension strain for early retirements and augmented pensions.
8. Funding Barnet and Southgate College deficit			There is a risk that a potential liability may exist arising from the allocation of members in these merged colleges where all retired and deferred benefits were allocated to the LB Enfield pension fund and all current employees at the date of the merger were allocated to the LB Barnet pension fund.

# MANAGEMENT OVERRIDE OF CONTROLS

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**ISA (UK) 240 presumes that Management is in a unique position to perpetrate fraud.**

Significant risk	
Normal risk	
Fraud risk	
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	
Risk highlighted by the pension fund	

## Risk detail

- ISA (UK) 240 - The auditor’s responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

## Planned audit approach

Our audit procedures will include the following:

- Review and verification of large and unusual journal entries made in the year and agreeing the journals to supporting documentation. We will determine key risk characteristics to filter the population of journals. We will use our IT team to assist with the journal extraction;
- Review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Review of unadjusted audit differences for indications of bias or deliberate misstatement.



# PENSION LIABILITY VALUATION

**There is a risk that the membership data and cash flows provided to the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.**

Significant risk	
Normal risk	
Fraud risk	
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	
Risk highlighted by pension fund	

## Risk detail

- An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on a roll-forward of data from the 2016 triennial valuation, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.
- There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

## Planned audit approach

Our audit procedures will include the following:

- Agree the disclosures to the information provided by the pension fund actuary;
- Review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Review the controls for providing accurate membership data to the actuary; and
- Check whether any significant changes in membership data have been communicated to the actuary.

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# MEMBERSHIP DISCLOSURE

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**There is a risk that the membership database may not be accurate and up to date to support the disclosure in the accounts.**

Significant risk	■
Normal risk	—
Fraud risk	—
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	—
Controls testing approach	—
Substantive testing approach	■
Risk highlighted by pension fund	—

### Risk detail

- Membership information including the number of current contributors, deferred beneficiaries and pensioners by employer is required to be disclosed in the financial statements.
- We reported our concerns regarding significant control deficiencies over the completeness and accuracy of membership data in prior years.
- There is a risk that the membership database may not be accurate and up to date to support the disclosure in the accounts.

### Planned audit approach

Our audit procedures will include the following:

- Obtain membership records and review the controls over the maintenance of these records; and
- Test a sample of movements of members to transactions recorded in the fund account and other underlying supporting documentation

# VALUATION OF INVESTMENT ASSETS

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**There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.**

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by pension fund

### Risk detail

- The fair value of funds (principally pooled investments) is provided by individual fund managers and reviewed by the Hymans Robertson Investment Advisory team. These valuation are reported on a quarterly basis although there may be amendments to the ‘flash’ valuations initially provided and subsequent final valuations that may be received after the draft accounts have been prepared.
- There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

### Planned audit approach

Our audit procedures will include the following:

- Obtain direct confirmation of investment valuations from the fund managers including any subsequent final valuations to ‘flash’ valuations in the draft accounts; and
- Obtain independent assurance reports over the controls operated by the fund managers for valuations and existence of underlying investments in the funds.

# BENEFITS PAYABLE

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**There is a risk that benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.**

Significant risk	
Normal risk	■
Fraud risk	
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	■
Risk highlighted by pension fund	

## Risk detail

- Benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.
- Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.

## Planned audit approach

Our audit procedures will include the following:

- For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, substantively test a sample of calculations of pension entitlement;
- Check the correct application of annual pension uplift for members in receipt of benefits; and
- Review the results of the latest National Fraud Initiative (NFI) data matching exercise of members in receipt of benefits with the records of deceased persons and what actions have been taken to resolve potential matches;
- Review any life certification exercises undertaken for members that are excluded from the National Fraud Initiative; and
- Agree amounts recorded in the ledger for benefits paid to the pensioner payroll reports.



# CLASSIFICATION OF FINANCIAL INSTRUMENTS (IFRS 9)

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**There is a risk that financial instruments are not classified and measured in accordance with new financial reporting standard.**

Significant risk  
 Normal risk  
 Fraud risk  
 Assess design & implementation of controls to mitigate  
 Significant Management estimates & judgements  
 Controls testing approach  
 Substantive testing approach  
 Risk highlighted by pension fund

## Risk detail

- IFRS 9 financial instruments has been implemented for 2018/19 and requires all relevant financial instrument assets (principally investments and receivables) and liabilities (principally payables) to be categorised under new criteria based on their business model and contractual cash flows that will determine their classification and basis of valuation.
- The pension fund has financial assets designated as available-for-sale financial instrument which would have to be reclassified and re-measured based on the classification and measurement requirements of IFRS 9.
- The pension fund also has short term receivables (contributions due from employers and employees) and will be required to calculate an expected credit loss on the receivables, rather than the previous model based on incurred losses.
- There is a risk that financial instruments are not classified and measured in accordance with IFRS9 and the new disclosures required by these new standards are omitted.

## Planned audit approach

Our audit procedures will include the following:

- Review the work performed by the pension fund, once undertake, to assess the impact of IFRS 9 on the financial statements; and
- Review the disclosures required relating to the adoption of the new accounting standard.

# CONTRIBUTIONS RECEIVABLE

**There is a risk that employers may not be calculating contributions correctly or the pension fund does correctly charge costs arising on pension strain for early retirements and augmented pensions.**

Significant risk  
 Normal risk  
 Fraud risk  
 Assess design & implementation of controls to mitigate  
 Significant Management estimates & judgements  
 Controls testing approach  
 Substantive testing approach  
 Risk highlighted by pension fund

## Risk detail

- Employers are required to deduct amounts from employee pensionable pay based on tiered pay rates and to make employer normal and deficit contributions in accordance with rates agreed with the actuary. In the previous year we noted that controls required improvements to confirm that (a) employers have paid the minimum required amounts where the deficit contribution amount was included in a higher employer payroll rate or (b) separate deficit amounts were paid over on a timely basis.
- Additional contributions are also required against pension strain for unreduced pensions for early retirements and augmentation of pensions. In the previous year we found that the capital cost of pension strain due to early retirement was not always identified and charged to employers.
- There is a risk that employers may not be calculating contributions correctly, paying over the full amount due to the pension fund or charging employers the capital cost of pension strain due to early retirement.

## Planned audit approach

Our audit procedures will include the following:

- Test a sample of normal contributions due (and additional deficit contributions where included in a higher employer rate) for active members including checking to employer payroll records;
- Review contributions receivable and ensure that income is recognised in the correct accounting period where the employer is making payments in the following month;
- Perform tests over capital cost due from employers for pension strain due to early retirement; and
- Carry out audit procedures to review contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.

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**There is a risk that a potential liability may exist arising from the allocation of members in these merged colleges across the LB Enfield and LB Barnet pension funds.**

Significant risk	
Normal risk	
Fraud risk	
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	
Risk highlighted by pension fund	

## Risk detail

- Barnet College and Southgate College merged in 2011. As part of the merger the active employees of Southgate College transferred to the LB Barnet pension fund whereas deferred and pensioner members remained with LB Enfield pension fund. LB Barnet pension fund assumed responsibility for past service accrued benefits and on-going benefits for the transferred employees from the LB Enfield pension fund. LB Enfield pension fund has requested a transfer value buy-out from LB Barnet pension fund of £4.2m to fund the liability shortfall for the deferred and pensioner members based on a cessation funding formula.
- There is a risk that a potential liability may exist arising from the allocation of members in these merged colleges across the LB Enfield and LB Barnet pension funds.

## Planned audit approach

Our audit procedures will include the following:

- Review advice provided by the actuary and any other legal advice sought by the pension fund to assess the potential liability for the LB Barnet pension fund.

# OTHER MATTERS REQUIRING FURTHER DISCUSSION

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## Fraud

Whilst the Pension Fund Committee as those charged with governance have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance.

We request confirmation from the Pension Fund Committee on fraud and a discussion on the controls and processes in place to ensure timely identification and action.

## Significant estimates

We will report to you on significant estimates. We will seek to understand and perform audit testing procedures on accounting estimates and judgements including consideration of the outcome of historic judgements and estimates. We will report to you our consideration of whether management estimates and judgements are within an acceptable range.

## Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will review relevant reports as part of our audit and consider whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

## Laws and regulations

We will consider compliance with Laws and regulations. The most significant of these for the Pension Fund includes the Local Government Pension Scheme Regulation 2013. We will make enquiries of Management and review correspondence with the relevant authorities.

## Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with CIPFA Code of Practice on Local Authority Accounting 2018/19, applicable accounting standards or other direction under the circumstances.

## Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Pension Fund Committee.

## Financial statement disclosures

We will report to you on the sufficiency and content of your financial statement disclosures.

## Any other matters

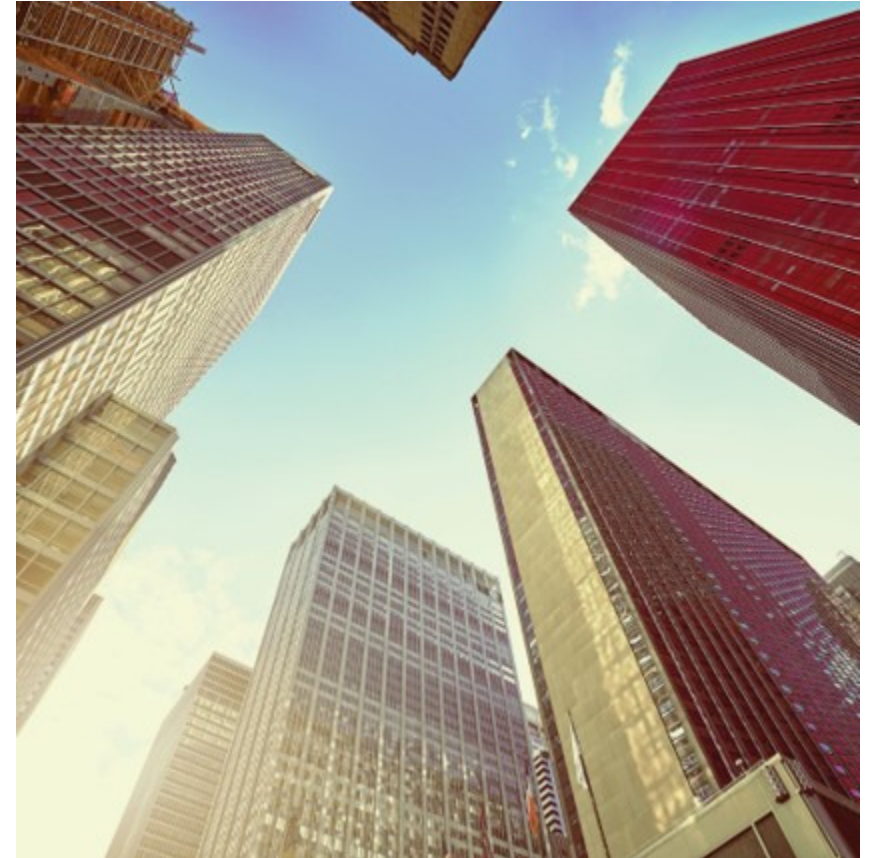
We will report to you on any other matters relevant to the overseeing of the financial reporting process. Where applicable this includes why we consider a significant accounting practice that is acceptable under the financial reporting framework not to be the most appropriate.

# IT GENERAL CONTROLS

IT General Controls (ITGCs) are the policies and procedures that relate to many IT applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. They commonly include controls over data centre and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

ITGCs are an important component in systems of internal control, and sometimes have a direct impact on the reliability of other controls.

IT assurance is embedded in our audit strategy to ensure the IT systems provide a suitable platform for the control environment and is undertaken in conjunction with our IT Assurance team. Our testing strategy includes a tailored range of data analytics, system configuration and IT environment testing.



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# INDEPENDENCE

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**Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.**

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ending 31 March 2019. Details of rotation arrangements for key members of the audit team and others involved in the engagement are set out in the appendices.

Details of other threats and safeguards applied are given in the appendices.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Pension Fund.

We also confirm that we have obtained confirmation of independence external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the pension fund.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

# SUMMARY

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**Fees summary for year ending 31 March 2019**

	2018/19 £	2017/18 £
PSAA scale fees	<sup>(1)</sup> 16,170	21,000
Proposed supplementary fee variation	<sup>(2)</sup> 5,000	<sup>(3)</sup> 22,810
<b>Total audit fees</b>	<b>21,170</b>	<b>43,810</b>

<sup>(1)</sup> PSAA has set the 2018/19 fee scale at £16,170 on the basis that individual fees for all opted-in bodies have been reduced by 23 per cent from the fees applicable scale fee for 2017/18 of £21,000. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms’ costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA is making in its own operating costs.

<sup>(2)</sup> Due to additional work planned in 2018/19 to address issues arising from 2017/18 and the request to undertake additional testing at Capita Employee Benefits at the Darlington site, we propose increasing the PSAA scale fee by £5,000 for 2018/19.

<sup>(3)</sup> The planned Code audit fee for 2017/18 was £21,000. Due to additional work in response to additional audit risks we have informed management that we intend to raise a supplementary invoice for £22,810 for a final audit fee of £43,810.



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# PENSION FUND'S RESPONSIBILITIES

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### Financial reporting

The Pension Fund is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which the pension fund accounts for its stewardship.

The form and content of the financial statements should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Section 151 Officer is responsible for preparing and publishing the Statement of Accounts (including the financial statements) and Pension Fund Annual Report which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2018/19, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

# OUR RESPONSIBILITIES

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### Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on the pension fund's financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the 'other information' contained in the Statement of Accounts and Pension Fund Annual Report such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

### What we don't report

Our audit is not designed to identify all matters that may be relevant to the pension fund and the Pension Fund Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



# COMMUNICATION WITH YOU

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## Those charged with governance

References in this report to Those Charged With Governance are to the Council (as the administrating authority of the pension fund) as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Pension Fund Committee.

## Communication, Meetings and Feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered. We will meet with management throughout the audit process. We will issue regular updates and drive the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

## Planning Report

The Planning Report sets out all planning matters which we want to draw to your attention including audit scope, our assessment of audit risks and materiality.

## Internal Controls

We will consider internal controls relevant to the preparation of financial statements in order to design our audit procedures and complete our work. This is not for the purpose of expressing an opinion on the effectiveness of internal control.

## Audit Completion Report

At the conclusion of the audit, we will issue an Audit Completion Report to communicate to you key audit findings before concluding our audit opinion. We will include any significant deficiencies in internal controls which we identify as a result of performing audit procedures. We will meet with you to discuss the findings and in particular to receive your input on areas of the financial statements involving significant estimates and judgements and critical accounting policies.

Once we have discussed the contents of the Audit Completion Report with you and having resolved all outstanding matters we will issue a final version of the Report.

# TEAM MEMBER ROTATION

These tables indicate the latest rotation periods normally permitted under the independence rules for the terms of appointment by PSAA.

In order to safeguard audit quality we will employ a policy of gradual rotation covering the team members below as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

## Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place before
Leigh Lloyd-Thomas Engagement Lead	4	5 years (last year will be 2019/20)
Michael Asare Bediako Audit Manager	1	10 years

## Independence - audit quality control

Role	Number of years involved	Rotation to take place before
Engagement Quality Control Reviewer	1	7 years

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# MATERIALITY: DEFINITION AND APPLICATION

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## Concept and definition

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):

- Narrative disclosure e.g. accounting policies, going concern
- Instances when greater precision is required (e.g. related party transactions).

International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Calculation and determination

We have determined materiality based on professional judgement in the context of our knowledge of the pension fund, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and audit tests
- Calculate sample sizes
- Assist in evaluating the effect of known and likely misstatements on the financial statements.

## Reassessment of materiality

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.

Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope.

# MATERIALITY: DEFINITION AND APPLICATION

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Appendix contents
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Materiality
Materiality: Definition and application 2
Audit quality



If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.

You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

## Unadjusted errors

We will communicate to you all uncorrected misstatements identified during our audit, other than those which we believe are ‘clearly trivial’.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

We will obtain written representations from the Pension Fund Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.

We will request that you correct all uncorrected misstatements. In particular we would strongly recommend correction of errors whose correction would affect compliance with contractual obligations or governmental regulations. Where you choose not to correct all identified misstatements we will request a written representation from you setting out your reasons for not doing so and confirming that in your view the effects of any uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as whole.

# AUDIT QUALITY

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### Appendix contents

Responsibilities

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Audit quality

## BDO's audit quality cornerstones underpin the firm's definition of audit quality.

BDO is committed to audit quality. It is a standing item on the agenda of the Leadership Team, who in conjunction with the Audit Stream Executive, monitors the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. We welcome feedback from external bodies and are committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external regulators, the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest entities.

More details can be found in our Transparency Report at [www.bdo.co.uk](http://www.bdo.co.uk)

## MINDSET

- Scepticism
- Independent
- Focus on the shareholder as user
- Robustness and moral courage.

## KNOWLEDGEABLE, SKILLED PEOPLE

- Knowledge of the business
  - Intelligent application of auditing standards
  - Intelligent application of accounting standards
- Understanding of the control environment.

## AUDIT QUALITY CORNERSTONES

- How to assess - benchmarking
- Where to focus - risk-based approach
- How to test - audit strategy
- What to test - materiality and scope.

## DILIGENT PROFESSIONAL JUDGEMENTS

- Audit reports
  - Management letter
- Audit Committee Reports
  - Top quality financial statement.

## HIGH QUALITY AUDIT OUTPUTS

FOR MORE INFORMATION:

Leigh Lloyd-Thomas

t: 020 7983 2616

e: [leigh.lloyd-thomas@bdo.co.uk](mailto:leigh.lloyd-thomas@bdo.co.uk)

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

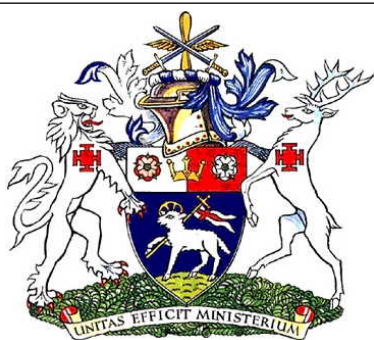
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## Local Pension Board

9 April 2019

<b>Title</b>	<b>Decisions made by the Pension Fund Committee</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	n/a
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	None
<b>Officer Contact Details</b>	George Bruce, Head of Treasury, <a href="mailto:george.bruce@barnet.gov.uk">george.bruce@barnet.gov.uk</a> - 0208 359 7126

### Summary

Part of the role of the Local Pension Board is to ensure the effective governance of the Pension Fund. This role is not clearly defined but is deemed to include considering whether the decision-making processes of the Pension Fund Committee are reasonable or appropriate i.e. soundly based, consider relevant information, are consistent with the objectives and policies of the Fund and are taken after considering appropriate advice. The paper considers recent decisions by the Pension Fund Committee and summarises the rationale, the processes followed and the link with policy documents and regulations.

### Recommendations

That the Local Pension Board notes the procedures applied by the Pension Fund Committee when reaching decisions at recent meetings and considers any issues associated with those procedures and decisions. The outcome of these discussions to be reported back to the Pension Fund Committee.

#### 1. WHY THIS REPORT IS NEEDED

- 1.1 The Board's role is to assist the administering authority in securing compliance with scheme regulations and other legislation relating to the governance and administration of the scheme and in ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund.
- 1.2 Part of the Board's role is to review the decision-making processes and ensure that these are soundly based, meet regulatory requirements and consider advice received as appropriate. While it is not appropriate for the Board to seek to replace its own judgments for those of the Pension Fund Committee, it is appropriate to review whether decisions have followed an appropriate process.
- 1.3 Since the last Local Pension Board meeting there has been one meeting of the Pension Fund Committee. The paper will highlight decisions made at these meetings.

### **Meeting 26 March 2019**

- 1.4 The meeting was attended by Professor Alderman, Chairman of the Local Pension Board, Mr Bediako of BDO (Auditor), Mr Summers of Hymans Robertson (Actuary), Mr Jellema and Mr Yoel of Hymans Robertson (investment advisor), Ms Darr (Director of Finance), Mr Bartle (interim Director of Finance) and officers from Governance and Finance. The meeting was preceded by 50 minutes of training covering actuarial assumptions by Hymans Robertson. The training was to support the discussion on agenda item 7, planning for the triennial valuation.
- 1.5 Each of the agenda items for which a paper was presented is discussed below. There were 17 public questions to the meeting. These are available from the Committee page on the Council web site. The questions and comments received concerned the administration contract with Capita and were referenced to the data quality report. This report was presented to the February Board meeting and an updated report will be presented to this meeting. The responses provided assurances that there has been a substantial reduction in the number of data errors, that data cleanse work is continuing and that the Council are engaged with Capita and monitoring progress to ensure that the 2019 triennial valuation will run to timetable and that staff are not impacted by data quality issues.

### Planning for the 2019 Triennial Valuation

- 1.6 The Actuary set out the key steps in the process to complete the March 2019 triennial valuation. These included:

- Administration data to be validated and submitted by 30 June 2019
- Draft whole fund results by 30 September
- Individual employers by 30 November
- Meetings with employers December 2019
- Sign off report by 31 March 2020

- 1.7 It was noted that there will be greater interaction with employers than at the previous valuation with the opportunity to discuss individual employer circumstances and if appropriate adjust the contribution schedule.  
Data Quality Report

- 1.8 The Actuary presented this report, which was identical to the one discussed by the Board at their last meeting. An updated report is included on this agenda. Professor Alderman reported the Board's concern with the administration service as stated in the Board minutes and Mr Green of Capita provided assurance that they were on track to reduce the 'critical' errors by 80% by the end of March and that improvement work will continue into April. Officers discussed the resources being devoted to monitoring the improvement plan. The Committee noted the report and asked to be informed of progress in resolving the data issues.

#### Admitted Bodies and Bond Status Update

- 1.9 Officers reported on the outstanding admission agreements and bonds and assured the Committee that Barnet, Capita and the Actuary were engaged to resolve the outstanding agreements and bonds. To speed up the process the Committee delegated approval of new admissions to the Director of Finance subject to no unusual features and a report of actions taken to the next meeting.
- 1.10 The Committee requested that future reports indicate the number of members affected by each agreement and bond.

#### Regulatory Update

- 1.11 Officers reported on three ongoing Government consultations – cost cap, pooling criteria and fair deal. It was noted that the Government's plans to improve benefits that will increase costs for employers have been delayed as a result of a judicial challenge.
- 1.12 The government's plans to revise the guidance relating to the pooling of investments were outlined. Pooling means that part of the investment process, the appointment of fund managers, is handed over to the London CIV. The revised guidance is substantially unchanged with a continued expectation that virtually all assets will be managed by the London CIV with new appointments outside of the LCIV to be justified after 2020. Exemptions from pooling remain rare with the requirement to review non-pooled assets at least every three years. The proposals would not impact on the investment decisions currently being considered by the Committee.
- 1.13 Fair deal concerns continued access to the LGPS for staff transferred to new employers with the main proposals being the removal of the option for a comparable scheme as an alternative to LGPS membership and the introduction of a deemed employer to reduce the pension complexity of small

companies bidding for Council contracts. The proposals will not negatively impact on Barnet.

#### External Audit Plan

- 1.14 Mr Bediako of BDO presented the audit plan in relation to the 2018-19 annual accounts. The Auditor discussed materiality, the reporting of errors identified, the significant audit risks and the proposed audit fee. The audit was due to be completed by 31<sup>st</sup> July 2019. The audit plan is included on the agenda for this meeting.

#### Pension Fund Investment performance

- 1.15 Hymans Robertson outlined the performance of the investments during the quarter to 31<sup>st</sup> December 2019. The fund returned minus 5.8% in the quarter, 1.8% below benchmark. The largest contribution to the decline in value was from equities (down 11.6%) with underperformance compared with Benchmark from the two diversified growth funds. Both these funds are due to be sold to finance the proposed new mandates and Hymans indicated they are content to retain these investments until cash is required elsewhere. Hymans explained the rating fall for the Schroders DGF (to 'suitable') and noted that most of the quarter 4 value reduction had been recovered during Q1, 2019.

#### Strategy Update

- 1.16 Progress on funding the new mandates – property, private debt, emerging market equities and private equity were discussed by Hymans Robertson. The Committee received written advice from Hymans Robertson on the suitability of the LCIV Emerging Market Equity fund and the reliance that could be placed on the due diligence undertaken by the London CIV. The recommendation was to invest 5% (£55 million) with this fund. However, on the day of the meeting, the LCIV became aware of an impending change in the team managing the investment (Janus Henderson) and following discussion with Hymans Robertson the resolution was amended to enable the investment to be postponed if adverse developments occurred. Subsequently, both LCIV and Hymans have placed the fund manager on watch and the investment is on hold. The Committee also agreed to meet with a selection of private equity managers selected by Hymans Robertson.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The Local Pension Board may wish to review Pension Fund Committee decision making procedures as part of its role in assisting the administering authority on ensuring good governance.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

3.1 N/A. The paper does not propose particular options.

#### **4. POST DECISION IMPLEMENTATION**

4.1 Recommendations from the Board will be communicated to the next Pension Fund Committee meeting.

#### **5. IMPLICATIONS OF DECISION**

##### **5.1 Corporate Priorities and Performance**

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

##### **5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 None in the context of this report.

##### **5.3 Social Value**

5.3.1 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long term financial health of contributing employees on retirement.

##### **5.4 Legal and Constitutional References**

5.4.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is LB Barnet. The Public Service Pensions Act 2013 requires the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice.

5.4.2 This paper considers the governance arrangement of the LGPS pension scheme that form part of the remit of the Local Pension Board.

##### **5.5 Risk Management**

5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

5.5.2 Good governance is essential to ensuring that risks are identified and managed.

## 5.6 Equalities and Diversity

5.6.1 There are no Equalities and Diversity issues arising from this report.

5.6.2 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 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, marriage and civil partnership.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements and monitoring of the Pension Fund's managers will benefit everyone who contributes to the fund.

## 5.7 Consultation and Engagement

5.7.1 The paper is part of the process of co-ordinating the activities of the Pension Fund Committee and Local Pension Board.

## 5.8 Insight

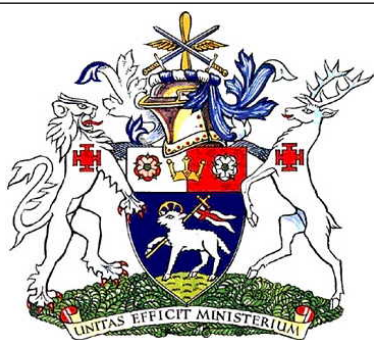
5.8.1 N/A.

## 6. BACKGROUND PAPERS

6.1 Papers and minutes of the Pension Fund Committee Meeting held on 26 March 2019.

<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MId=9500&Ver=4>

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## Local Pension Board

09 April 2019

<b>Title</b>	<b>Data Quality Update</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A – Data Cleanse Summary ( <b>to follow</b> )
<b>Officer Contact Details</b>	Gareth Hopkins, Pensions Consultant <a href="mailto:gareth.hopkins@barnet.gov.uk">gareth.hopkins@barnet.gov.uk</a> – 07446 148 537

### Summary

At the Local Pension Board of 11 February 2019, Hymans Robertson presented findings on the quality of membership data, which will be needed for the 2019 triennial valuation; the results highlighted a significant number of critical errors. The Council have been working with Capita to ensure that the number of critical errors are reduced, so that the data is fit for purpose for the upcoming triennial valuation.

### Recommendations

The Board are asked to note the content of the Data Cleanse Summary (Appendix A).

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The quality of membership data is central to the triennial valuation process. Should the quality of data not be to the standard required by Hymans Robertson then there could be delays to the valuation process.
- 1.2 Following the results of the data quality report, the Council have requested that progress against the conditional data cleanse plan is independently checked by uploading data to the Hymans portal. This has allowed the Council to hold Capita to account through an independent objective benchmark.
- 1.3 Weekly “Checkpoint” meetings between the Council and Capita have been introduced to monitor progress. Capita have committed to an 80% reduction in critical errors by 31<sup>st</sup> March. Due to the timing of the publication of this report, the results were not available but the appendix will be published with the updated results of this data cleanse.
- 1.4 The Capita team will remain “stood up” beyond 31<sup>st</sup> March to continue to work on outstanding data quality items.
- 1.5 Appendix A provides a summary of the progress made between 6<sup>th</sup> December 2018 and 31<sup>st</sup> March 2019.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 Membership data needs to be fit for purpose so that the triennial valuation can proceed. At present, the data held by Capita is not to the required standard meaning that the valuation process cannot commence.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 Not applicable in the context of this report.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Not applicable in the context of this report.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 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.

## **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 Not applicable in the context of this report.

## **5.3 Social Value**

5.3.1 Not applicable in the context of this report.

## **5.4 Legal and Constitutional References**

5.4.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is the London Borough of Barnet. The Local Government (Amendment) (Governance) Pension Scheme Regulations 2015 requires inserts regulation 106 into the Local Government Pension Scheme Regulations 2013 which the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

## **5.5 Risk Management**

5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.

## **5.6 Equalities and Diversity**

5.6.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 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.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

**5.7 Corporate Parenting**

5.7.1 Not applicable in the context of this report.

**5.8 Consultation and Engagement**

5.8.1 Where relevant, consultation and engagement is discussed in the paper.

**6. BACKGROUND PAPERS**

6.1 None



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## Local Pension Board

09 April 2019

<b>Title</b>	<b>Risk Register</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A – Risk Register <b>(to follow)</b>
<b>Officer Contact Details</b>	Gareth Hopkins, Pensions Consultant <a href="mailto:gareth.hopkins@barnet.gov.uk">gareth.hopkins@barnet.gov.uk</a> – 07446 148 537

### Summary

The Pensions Administration Risk Register is a standing agenda item for the Local Pension Board.

### Recommendations

The Local Pension Board are requested to review and note the report and information illustrated in Appendix A.

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 It is important that the Council maintain the Pensions Administration Risk Register to help protect members of the LGPS.
- 1.2 The most recent Pensions Administration Risk Register can be found in Appendix A.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The role of the Board is to ensure that the Scheme Manager is exercising all due controls to ensure the effective governance of the Scheme. A key part of managing the control environment is the management of risk and this is outlined in the risk register.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

Not applicable in the context of this report.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Not applicable in the context of this report.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 The Local Pension Board supports delivery of Council's strategic objectives and priorities as expressed through the Corporate Plan (Barnet 2024) by assisting in maintaining the integrity of the Pension Fund by monitoring the administration and compliance of the Fund.

### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 Not applicable in the context of this report.

### **5.3 Social Value**

- 5.3.1 Not applicable in the context of this report.

### **5.4 Legal and Constitutional References**

- 5.4.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is LB Barnet. The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 inserts regulation 106 into the

Local Government Pension Scheme Regulations 2013 which requires the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

- 5.4.2 According to the Best Value Authorities Staff Transfers (Pensions) Direction 2007 where the council enters into a contract for services with a provider the provider is required to provide equivalent pension protection in respect of employees that have transferred to the provider under the TUPE Regulations. Such Pension Protection includes either the same rights and benefits as under the LGPS or broadly similar rights and benefits. Similar protection is provided in respect of employees of Academies under the Fair Deal Guidance 2013. A common way of securing this protection is via an admission agreement whereby the provider becomes an admitted body to the LGPS.

## **5.5 Risk Management**

- 5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.

## **5.6 Equalities and Diversity**

- 5.6.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 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.
- 5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

## **5.7 Consultation and Engagement**

- 5.7.1 Not applicable in the context of this paper

## 6. BACKGROUND PAPERS

6.1 None


### REPORT CLEARANCE CHECKLIST

*(Removed prior to publication and retained by Governance Service)*

Report authors should engage with their Governance Champion early in the report writing process and record the date below. If the decision/report has been reviewed at an internal board please record the date and name of the meeting (e.g. SCB). Otherwise enter N/A. All reports must be cleared by the appropriate Director/AD, Legal, Finance and Governance as a minimum. **Legal, Finance and Governance require a minimum of 5 working days to provide report clearance. Clearance cannot be guaranteed for reports submitted outside of this time.**

**AUTHOR TO COMPLETE TABLE BELOW:**



	<p><b>Local pension Board</b></p> <p><b>09 April 2019</b></p>
<b>Title</b>	<b>Performance Report</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A – Capita Performance Report: January to February 2019
<b>Officer Contact Details</b>	Gareth Hopkins, Pensions Consultant <a href="mailto:gareth.hopkins@barnet.gov.uk">gareth.hopkins@barnet.gov.uk</a> – 07446 148 537

### Summary

This paper provides the Board with the pensions administration performance report for the period January to February 2019.

### Recommendations

The Board are asked to note the current performance levels.

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The efficient delivery of benefits is reliant upon effective administrative procedures being in place. It is important that this information is reviewed by the Board.
- 1.2 The report in Appendix A provides an overview of performance of operational pensions administration delivered by Capita.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 Not applicable in the context of this report.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 Not applicable in the context of this report.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Not applicable in the context of this report.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 The Local Pension Board supports the delivery of the Council's strategic objectives and priorities as expressed through the Corporate Plan (Barnet 2024) by assisting in maintaining the integrity of the pension Fund by monitoring the administration and compliance of the Fund.

### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 Not applicable in the context of this report.

### **5.3 Social Value**

- 5.3.1 Not applicable in the context of this report.

### **5.4 Legal and Constitutional References**

- 5.4.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is the London Borough of Barnet. The Local Government

Pension Scheme Regulations 2015 requires the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice.

## **5.5 Risk Management**

5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.

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5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

## **5.7 Corporate Parenting**

5.7.1 Not applicable in the context of this report.

## **5.8 Consultation and Engagement**

5.8.1 Where relevant, consultation and engagement is discussed in the paper.

## **6. BACKGROUND PAPERS**

6.1 None

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March 2019

## **Report to the Local Pension Board 1<sup>st</sup> January – 28<sup>th</sup> February 2019**

London Borough of Barnet Pension Fund



# Performance Summary

## Performance for period 1<sup>st</sup> January to 28<sup>th</sup> February 2019

This report has been designed to provide a summary of the performance of the administration of the London Borough of Barnet Pension Fund for the period specified above.

The table below outlines a summary of the transactions in the period:

**Table 1: Overall Summary**

Case Group / Category	Volumes
<i>All work outstanding at the beginning of the period</i>	<b>2100</b>
<i>Cases received in the period</i>	<b>2773</b>
<i>Cases completed in the period</i>	<b>2007</b>
<i>Cases re-categorised during the period</i>	<b>400</b>
<b>All work outstanding at the end of the period</b>	<b>2466</b>
<i>Number of outstanding cases awaiting 3rd party information</i>	<b>1896</b>
<i>Number of workable items</i>	<b>570</b>
<b>Total</b>	<b>2466</b>
<i>Cases completed within standard LGPS targets</i>	<b>1941</b>

• Please note that “re-categorisation” of cases relates to the scenario where the categorisation of casework on our workflow system is not fully accurate. In order to ensure that the correct calculations and documentation is issued to the member, the case can be re-categorised to reflect the correct case type. In order to avoid any double-counting, the original case is terminated and a new case created, backdated to the date of receipt. All terminated cases are subject to specific independent audit scrutiny to validate the integrity of reported performance statistics.

During the period **2007** cases were completed in the period, and **1941** were completed within target which represents an overall aggregated SLA compliance figure of **96.71%**.

We have seen an increase in workable items across the period which now stands at 570, increased from 171 at the end of December 2018. There has been a slight decrease in cases requiring third party information during the period (currently 1896 outstanding in comparison to 1930). Work received has increased from 2106 in Nov / Dec compared to 2773 in Jan / Feb. Clearance of work over the same periods also increased from 1870 to 2007 respectively.

## Performance Breakdown

In order to provide a greater understanding of the key transactions completed in the period, the following table sets out our performance against those transactions showing the starting and finishing position during the period and the performance level achieved against each Case Type in the period:

In addition, to provide greater clarity and visibility of monthly performance within the period, a further breakdown is provided below:

**Table 2: Summary Breakdown by Case Group**

Case Group	Start	Received	Completed	Terminated	Carried F/Ward	Completed Within Target	SLA %	RAG
<i>Change of details</i>	9	136	117	16	12	117	100.00%	GREEN
<i>Enquiries</i>	122	468	406	28	156	401	98.77%	GREEN
<i>Request for Estimate of Benefits</i>	107	150	111	40	106	109	98.20%	GREEN
<i>Leavers</i>	699	437	238	74	824	215	90.34%	GREEN
<i>New Starters</i>	101	220	117	27	177	109	93.16%	GREEN
<i>Retirements</i>	117	67	45	14	125	38	84.44%	AMBER
<i>Transfers In</i>	89	34	12	3	108	12	100.00%	GREEN
<i>Transfers Out</i>	39	44	37	1	45	37	100.00%	GREEN
<i>Bereavements</i>	164	49	36	1	176	36	100.00%	GREEN
<i>Other</i>	653	1168	888	196	737	867	97.64%	GREEN
<b>Total</b>	<b>2100</b>	<b>2773</b>	<b>2007</b>	<b>400</b>	<b>2466</b>	<b>1941</b>	<b>96.71%</b>	<b>GREEN</b>

Case Group	Jan SLA %	RAG	Feb SLA %	RAG
<i>Change of details</i>	100.00%	GREEN	100.00%	GREEN
<i>Enquiries</i>	99.12%	GREEN	98.31%	GREEN
<i>Request for Estimate of Benefits</i>	96.08%	GREEN	100.00%	GREEN
<i>Leavers</i>	86.30%	AMBER	96.74%	GREEN
<i>New Starters</i>	100.00%	GREEN	92.16%	GREEN
<i>Retirements</i>	92.00%	GREEN	75.00%	RED
<i>Transfers In</i>	100.00%	GREEN	100.00%	GREEN
<i>Transfers Out</i>	100.00%	GREEN	100.00%	GREEN
<i>Bereavements</i>	100.00%	GREEN	100.00%	GREEN
<i>Other</i>	97.06%	GREEN	98.21%	GREEN
<b>Total</b>	<b>96.20%</b>	<b>GREEN</b>	<b>97.25%</b>	<b>GREEN</b>

For the purposes of SLA reporting, a RAG rating is assigned based on the following levels of compliance:

- Lower than 80% - **RED**
- Between 80% and 90% - **AMBER**
- Over 90% - **GREEN**

Ultimately, our aim is to achieve overall SLA compliance to be over 95% at all times. A schedule of the SLA targets that form the basis of this compliance analysis is shown at **Appendix 1**.

## Quality

The Pensions Team utilise an Accuracy Monitoring tool within the Workflow system as a means of monitoring quality. Results are encouraging with monthly performance scores of **98.2%** (January) and **96.8%** (February). As new starters begin to work solo, we have seen a small number of errors appear; these have, however, been identified prior to the work leaving the business. We will continue to analyse data to ensure that individual errors are being attributed to the relevant Administrators to support their personal and professional development.



# Work In Progress Position

The following table provides a breakdown of the age profile of the cases that can be progressed by Capita and those cases that require third party information before further action can be taken as summarised in **Table 1**.

**Table 3: Case Age Summary**

<3 Months		3 - 6 Months		6 - 12 Months		12 - 18 Months		18 - 24 Months		>24 Months	
Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party
476	551	23	386	47	502	10	164	7	139	7	154

A complete breakdown of all outstanding casework, split between workable items and non-workable items is shown as **Appendix 2**.

## Actions Required:

The Team are continuing to focus on both the aged work and the reduction of the 3<sup>rd</sup> party cases.

We will continue to work towards maintaining an overall SLA adherence of over 95%.

## Complaints:

Details of all outstanding complaint cases in the period are shown in the table below. It has been agreed that, in future, further narrative will be provided regarding the outcome of the complaint and the conclusion of the issue for the member.

Member Ref.	Date Rec'd	Details	Justified	Resolution	Status
Member BE	18/10/18	Delay in retirement process		In progress	
Member BJ	12/11/18	Member unhappy with the level of benefits quoted, significantly less than anticipated	Y	Apology, explanation and compensation offered Case complete	Training provided to staff member
Member BK	12/11/18	Member unhappy with time taken to resolve issues with records and issue a further benefit statement	Y	Apology issued for issues caused by setting up an additional member record Case complete	Service records reviewed and corrected
Member BL	15/11/18	Delay in dealing with transfer in request	Y	Apology issued, case complicated because of PSO. Case complete.	Apology issued
Member BM	23/11/18	Member unhappy with the delay in resolving issues with pensions record	Y	Apology issued for the delay in advising preserved benefit information. Case complete.	Information now provided
Member BN	4/12/18	Member unhappy due to delay in providing response to query	Y	In progress Cases completed 15/01/19 Pension in payment. Case complete.	Apology issued
Member BO	5/12/18	Payments suspended due to lost contact. POA document	N	Pension reinstated 07/12/2018. Rec'd returned mail, had no POA, Pension	Completed in line with agreed process

		subsequently provided		suspended as per processes. Case complete.	
Member BP	7/12/18	Member unhappy with overpayment	Y	Information not provided in a timely manner, although response to member reiterated previously provided details. Case complete	Delays
Member BQ	27/12/18	Member unhappy with delays	Y	Completed 17/11/18. All payments have been made. Case complete.	Delays
Member BR	28/12/18	Inadequate information provided	Y	Response to the member to apologise for refund being offered. Confirm that we cannot override the regulations. Case complete.	Correct procedure not followed as we did not check for other LG pension
Member BS	31/12/18	Delays in dealing with pension abatement, impacting retirement application from another pension fund. Currently waiting for missing salary information	Y	Delays in information provided by a 3 <sup>rd</sup> party. Ops could have been more proactive in chasing missing information. Case complete	Delays
Member BT	17/01/19	Incorrect information in relation to PSS	Y	System issue caused delay in providing PSS. Case complete.	Consider any changes required to process
Member BU	18/01/19	Delay in settling retirement application	Y	Payments made. Case complete	Delays

# Regulatory Compliance

## Regulation Breaches

The Pensions Act 2004 requires us to report breaches of the regulations to the Pensions Regulator (tPR). Breaches will be reported to the Scheme Manager in the first instance via the formal route. Where breaches occur, they will be classified under the following levels:

Level	Description
<b>Red</b>	Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance
<b>Amber</b>	Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance
<b>Green</b>	Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance

## Disclosure Breaches

In the event of a breach in disclosure requirements, we will report the reason and the corrective actions we have taken to the Scheme Manager. Subject to agreement with the Scheme Manager, details of the breach are captured on the Scheme breaches log.

There have been no disclosure breaches in the reporting period.

## Unauthorised Payments

The Registered Pension Schemes (Provision of Information) Regulations 2006 legislates for unauthorised payments. If we become aware of an unauthorised payment, we will notify the Scheme Manager.

There have been no unauthorised payments in the reporting period.

## Accounting for Tax (AfT)

No payments have been made where a tax charge has arisen, which must be reported to HMRC.

## Data Protection Act

The Data Protection Act 2018 sets out the principles that must be adhered to when dealing with “personal data”. Personal data is classed as any information about a living person that can be used to identify them, such as their name, address or date of birth.

There have been no Data Protection breaches in the reporting period.

# Appendix 1

## Standard LGPS SLA Measures

<b>Case Type</b>	<b>Measurement</b>
<b>Change of Personal Details</b>	Process change to member details within 10 days of receipt of request
<b>General Enquiries</b>	Provide response to member or beneficiary within 10 days of receipt of correspondence
<b>Request for Estimate of Benefits</b>	Issue benefit quotation within 10 days of receipt of request
<b>Leavers on Termination / Opting Out</b>	Provide statement of Preserved Benefits within 20 days of notification of exit
	Process payment of refund of contributions within 10 days of receipt of notification
	Process payment of transfer value within 10 days of receipt of all relevant documentation
<b>New Starters</b>	Creation of system record within 4 days of receipt of notification
<b>Retirements</b>	Issue retirement quote to members 7 months prior to their normal retirement date
	Issue retirement quote within 10 days of receipt of request
	Process payment of pension lump sum on normal retirement date of within 10 days of receipt of preferred options where appropriate
<b>Transfers In</b>	Issue request for transfer details to previous scheme within 5 days of receipt of new starter details
	Issue request for payment of transfer value within 10 days of receipt of member's confirmation to proceed

	Update member record with details of transfer in within 7 days of receipt of transfer value payment
<b>Transfers out</b>	Provide details of deferred pension and transfer value within 20 days of receipt of request from new scheme
	Process payment of transfer value within 10 days of receipt of member's confirmation to proceed
<b>Bereavements</b>	Issue initial correspondence to beneficiary following notification of death within 5 days
	Issue details of benefits payable on death within 5 days of receipt of completed documentation
	Process payment of death lump sum within 5 days of receipt of documentation
<b>Miscellaneous (or Other)</b>	Issue appropriate documentation / response to requests for information within 10 days of receipt of request

- Any reference to “day” (or “days”) should be interpreted as Working Day which means a day Monday to Friday excluding English Bank and public holidays.

# Appendix 2

## Aged Breakdown of Outstanding Cases

**Table 3: Case Age Breakdown**

Case Group	<3 Months		3 - 6 Months		6 - 12 Months		12 - 18 Months		18 - 24 Months		>24 Months	
	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party
<i>Change of details</i>	5	5	0	0	0	1	0	0	0	0	0	1
<i>Enquiries</i>	63	22	1	26	1	20	0	17	0	6	0	0
<i>Request for Estimate of Benefits</i>	11	36	0	34	1	20	1	3	0	0	0	0
<i>Leavers</i>	97	224	11	157	30	221	1	23	1	6	7	46
<i>New Starters</i>	84	1	0	0	0	37	0	0	0	40	0	15
<i>Retirements</i>	15	39	2	17	2	24	0	9	1	7	0	9
<i>Transfers In</i>	16	31	2	19	2	23	1	9	0	0	0	5
<i>Transfers Out</i>	11	21	0	9	0	3	0	0	0	0	0	1
<i>Bereavements</i>	10	28	0	22	3	40	2	29	0	19	0	23
<i>Other</i>	164	144	7	102	8	113	5	74	5	61	0	54
<b>Total</b>	<b>476</b>	<b>551</b>	<b>23</b>	<b>386</b>	<b>47</b>	<b>502</b>	<b>10</b>	<b>164</b>	<b>7</b>	<b>139</b>	<b>7</b>	<b>154</b>

# Appendix 3

## Glossary of Terms

Term	Description
Case	Any enquiry, request or transaction that requires action from Capita that is logged onto Capita's workflow system and measured against specific performance targets, as set out in Appendix 1.
Complaint	Any expression of dissatisfaction with any service provided by Capita or a member of its staff or any third party whether made in writing or verbally
Fund Administration Strategy	A formal statement from the Scheme Manager setting out the roles and responsibilities of all stakeholders in relation to the administration of the Pension Fund and the standard of performance that all stakeholders should expect.
GAD	Government Actuary's Department – responsible for providing actuarial advice to public sector clients
Operational Governance	A record of the procedural and systematic controls operated in the administration of the Fund to ensure compliance with all regulatory and client specific requirements
Pension Fund Risk Register	A formal register of all known and emerging risks and mitigating actions that the Scheme Manager will monitor and review on an ongoing basis to evidence effective governance
Scheme Calendar	A record of all cyclical activities that occur over a scheme year, some of which that relate to regulatory compliance that are managed outside of member services.
Service Level Agreement	An agreed schedule of performance measures that sets out the targets for completing specific transactions within defined timescales that are built into and reported through Capita's operational MI
Third Party	Any individual, organisation or representative which Capita may rely on to provide information or documentation to complete an administrative process.

# Appendix 4

## “Other” Category

Appendix 2 above provides a breakdown of the categories of outstanding work. The nature of enquiries handled by the pension administration team can be varied and, consequently, the number of categories of work can be extensive.

Appendix 2 includes the case type “Other” which represents a number of miscellaneous categories of work that are undertaken in the administration of the Fund. Typical examples of the types of work that are captured under this category are:

HMRC tax code changes

HMRC enquiries

GMP notifications

GMP enquiries

Child pension reviews

Continued eligibility queries

New entrants

Pension abatement

DWP enquiries

Change in working hours

Maternity leave

Nomination enquiries

Change in nomination details

Processing original certificates

BACS rejects

Payment reissues

NFI processing

Pensionable service updates

Power of Attorney / Court order deductions



**London Borough of Barnet**  
**Local Pensions Board - Work Programme**  
**April 2019 – March 2020**

Title of Report	Overview of decision	Report Of	Issue Type (Non key/Key/Urgent)
<b>27 June 2019</b>			
Decisions made by the Pension Fund Committee	To approve the Pension Fund Committees decision making processes.	Director for Finance	Non-Key
Risk Register	To consider and note risk register	Director for Finance	Non-Key
<b>4 Sept 2019</b>			
Decisions made by the Pension Fund Committee	To approve the Pension Fund Committees decision making processes.	Director for Finance	Non-Key
External Audit Report	The Auditor to present their report on the accounts for the year to 31 March 2019	Director for Finance	Non-Key
Risk Register	To consider and note risk register	Director for Finance	Non-Key
<b>19 November 2019</b>			
Decisions made by the Pension Fund Committee	To approve the Pension Fund Committees decision making processes.	Director for Finance	Non-Key
2019 Triennial actuarial valuation	To update the Committee on the outcome of the triennial valuation and the setting of employer contribution rates.	Director for Finance	Non-key
Risk Register	To consider and note risk register	Director for Finance	Non-Key

Subject	Decision requested	Report Of	Contributing Officer(s)
<b>10 February 2020</b>			
Decisions made by the Pension Fund Committee	To approve the Pension Fund Committees decision making processes.	Director for Finance	Non-Key
Risk Register	To consider and note risk register	Director for Finance	Non-Key
<b>7 April 2020</b>			
Decisions made by the Pension Fund Committee	To approve the Pension Fund Committees decision making processes.	Director for Finance	Non-Key
External Audit Plan	To note the work to be undertaken by the external auditor in respect of the Fund's 2018-19 accounts.	Director for Finance	Non-Key
Risk Register	To consider and note risk register	Director for Finance	Non-Key

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