

	<p>Local Pension Board</p> <p>5 September 2018</p>
<p style="text-align: right;">Title</p>	<p>External Auditor’s Report under International Standard on Auditing (ISA) 260 for the year 2017/18</p>
<p style="text-align: right;">Report of</p>	<p>Director of Finance</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix A – ISA 260 report (draft)</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>George Bruce, Head of Treasury, 0208 359 7126</p>

<p>Summary</p>
<p>This report considers the detailed report from the external auditors on matters arising from the audit of the 2017/18 Pension Fund Accounts and Annual Report in line with International Standard on Auditing 260 (ISA 260). The Auditor will attend the meeting.</p>

<p>Recommendations</p>
<p>That the Board:</p>
<p>1. note the matters raised by the external auditor in respect of the audit of the 2017/18 Accounts and Annual Report; and</p>
<p>2. consider whether there are any areas on which they require additional information or to recommend action.</p>

1. WHY THIS REPORT IS NEEDED

- 1.1 Under Section 151 of the Local Government Act 1972 - "...every local authority shall make arrangements for the proper administration of their financial affairs...". Additionally, in accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the council's accounts and pension fund accounts.
- 1.2 The Auditor (BDO) has issued an unqualified opinion on the Pension Fund Report and Accounts for the year to 31st March 2018. In accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the Council's accounts and Pension Fund accounts.
- 1.3 Management are reviewing the Auditor's recommendations and will implement action to address the control weaknesses identified.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Board is requested to consider the report and recommendations to enable the Council to meet its obligations under Section 151 of the Local Government Act 1972 as set out in paragraph 1 above.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable in the context of this report.

4. POST DECISION IMPLEMENTATION

- 4.1 None.

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 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. This is in line with the aims set out in the Council's Corporate Plan 2015-2020, to ensure that services are delivered efficiently to get value for money for the taxpayer.

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 management as well as value for money.
- 5.2.2 The external audit fees for 2017/18 are £21,000 (£36,000 for 2016/17). Additional charges are levied when the auditor is required to undertake work

not set out in the audit plan e.g. when accounting records are incomplete.

5.3 Social Value

- 5.3.1 Arrangements for proper administration of financial affairs and 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 is contained in Regulation 57 of the Local Government Pension Scheme Regulations 2013.

- 5.4.2 The Council's Constitution (Article 7) – includes within the responsibilities of the Local Pension Board,

“The Board is responsible for assisting with:

- securing compliance with Local Government Pension Scheme (LGPS) Government regulations and any other legislation relating to the governance and administration of the LGPS.

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

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, sexual orientation, marriage and civil partnership.

- 5.6.2 Ensuring the long term financial health of the Pension Fund will benefit everyone who contributes to it. Access to and participation in the Pension Fund is open to those with and those without protected characteristics, alike, provided that the criteria set out within the relevant Regulations are met

5.7 Consultation and Engagement

5.7.1 Not required.

5.8 Insight

5.8.1 Not applicable in the context of this report.

6. BACKGROUND PAPERS

6.1 Audit plan presented to the Local Pension Board 19 June 2018.