

Meeting	Pension Fund Committee
Date	4 September 2012
<b>Subject</b>	<b>External Auditor’s Report under International Standard on Auditing (ISA) 260 for the year 2011/12</b>
Report of	Deputy Chief Executive
Summary	This report considers the detailed report from the external auditors on matters arising from the audit of the 2011/12 pension fund accounts

Officer Contributors	John Hooton, Assistant Director of Strategic Finance Iain Millar, Head of Treasury and Pensions
Status (public or exempt)	Public
Wards Affected	None
Key Decision	Not Applicable
Reason for urgency / exemption from call-in	Not Applicable
Function of	Council
Enclosures	Appendix A – ISA260 report Appendix B – Pension Fund Annual Report 2011/12
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## **1. RECOMMENDATIONS**

- 1.1 That the Committee approve the audited Pension Fund Account 2011/12 and they be signed by the Chairman as having been approved.**
- 1.2 That the matters raised by the external auditor relating to detailed aspects of the 2011/12 accounts audit, including the pension fund accounts be noted.**
- 1.3 That the officer response to matters raised by the external auditor be noted.**
- 1.4 That the Committee consider whether there are any areas on which they require additional information or action.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 The draft (un-audited) Pension Fund Annual Report and Statement of Accounts for 2011/12 was approved, subject to audit, by the Pension Fund Committee on 13 June 2012.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 Review of reports made under the International Standard on Auditing (ISA) 260 is an integral part of corporate governance. This is consistent with Barnet's Corporate Plan within 'Better Services with less money.'

## **4. RISK MANAGEMENT ISSUES**

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

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 Accurate financial reporting is important to ensure the management of resources to enable the equitable delivery of services to all members of the community and to reduce the differential impact of the services received by all of Barnet's diverse communities

## **6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

- 6.1 The Pension Fund Account shows the financial position as at 31<sup>st</sup> March 2012.

## **7. LEGAL ISSUES**

- 7.1 None other than contained in the body of the report and appendices.

## **8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)**

8.1 Constitution – Part 3 Responsibility for Functions – Section 2 – Responsibility for Council Functions delegated to the Pension Fund Governance Compliance Statement. The functions of the Pension Fund Committee include acting as “those charged with governance” in respect of the Pension Fund accounts

## **9. BACKGROUND INFORMATION**

9.1 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 accounts and pension fund accounts.

9.2 The ISA 260 report has to be considered by “those charged with governance” before the External Auditor can sign the accounts, which legally has to be done by 30 September 2012.

9.3 The External Auditor, Grant Thornton (GT) was presented with the draft financial statements in June 2012. GT identified a number of adjustments which are set out in their report.

9.4 The key messages arising from the audit of the Pension Fund accounts are:

- The audit has been concluded earlier than in previous years
- The auditor will issue an unqualified audit opinion
- There were a number of accounting adjustments that needed to be made which resulted in a £1.2 million reduction to the net assets statement.
- The adjustments required related to;
  - irrecoverable aged and sundry debtors,
  - benefits paid after 31 March 2012 but not provided for in the financial statements,
  - incorrect accounting for accrued income for early retirement costs (unrecorded retirement benefits),
  - a late accrual for investment management fees,
  - investment income classification.
- There have been improvements over the systems and controls areas identified in five of the seven control findings issued in the previous year.
- Control finding issues raised for the remaining two areas were unrecorded retirement benefits and irrecoverable debtors.
- Action has been taken to address the control issues raised in the audit.

## **10. LIST OF BACKGROUND PAPERS**

10.1 None

<b>Cleared by Finance (Officer's initials)</b>	<b>JH</b>
<b>Cleared by Legal (Officer's initials)</b>	<b>TE</b>