



## Local Pension Board

25 June 2020

<b>Title</b>	<b>External Auditor's Planning Report for the year 2019/20</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A – External Auditor's Plan
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### Summary

BDO are the Pension Fund's appointed external auditors for the 2019/20 financial year. 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.

### Officers Recommendations

That the Local Pension Board note the audit strategy for the 2019/20 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 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. There are also specific legal requirements in relation to the accounts and the annual report as set out in section 5.4 below.

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 2020.

1.1 The report includes the following sections:

Materiality	page 4, 27, 28
Audit risks - overview	page 6
Detailed risk review	Pages 10 to 18
Fees	page 7
Auditors responsibility	Page 24
Audit quality	Page 29

1.2 The risk discussed are mostly generic, however there is mention of issues that are specific to Barnet e.g. contribution recording (p13), membership disclosure (p17), invoicing of strain costs (p18) and Barnet Southgate College (p18).

1.3 There are no significant changes in the audit approach from last year.

1.4 The timetable for the production and publication of the audited accounts has been relaxed for these accounts due to Covid-19 restrictions. The due date for publication of the draft accounts has moved from 31 May 2020 to 31 August 2020 and the date for publication of the audited accounts has moved from 31 July 2020 to 31 October 2020. BDO were provided with a first draft of the pension fund accounts on 5 June 2020 and the audit is due to commence during July.

1.5 The Auditor has included a page in the report (p29) that compares the quality of their audits as determined by the Financial Reporting Council with other large auditors. The results are impressive with the highest percentage (88%) of audits tested rated "good or limited improvements required" and none rated "significant improvement required".

## **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 None. The external auditor will report to the next meeting of the Local Pension 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 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, 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 2019/20 are £36,170 (£35,978 for 2018/19).

5.2.3 In accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the Council's accounts and Pension Fund accounts.

5.2.4 The ISA 260 report must be considered by "those charged with governance" before the external auditor can sign the accounts".

5.2.5 The external auditor, BDO was presented with draft financial statements on 5 June 2020.

##### **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**

1.2.1 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 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 Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality.

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 Corporate Parenting**

5.7.1 Not applicable in the context of this report.

## **5.8 Consultation and Engagement**

5.8.1 Not required.

## **5.9 Insight**

5.9.1 Not applicable in the context of this report.

## **6. BACKGROUND PAPERS**

6.1 Auditors report on the 2018-19 Report and Accounts. See Local Pension Board 19<sup>th</sup> November 2019, agenda item 10.

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=753&MIId=9913&Ver=4>