



Pension Fund Committee

11 January 2023

Title	External Audit and Accounts Update
Date of meeting	11 January 2023
Report of	Executive Director of Strategy and Resources (S151 officer)
Wards	All
Status	Public
Urgent	No
Appendices	Appendix 1- 2021/22 Draft Annual Report
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Summary

BDO are the Pension Fund's appointed external auditors for the 2020/21 and 2021/22 financial years. 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. This report is to update the Pension Fund Committee on the 2020/21 audit, and on the plan for the 2021/22 and 2022/23 audit.

This paper also asks for Committee approval to publish the 2021/22 and seeking views on whether it is appropriate to publish the 2022/23 Draft Annual Report based on current audit status.

Recommendations

1. That the Pension Fund Committee note the update on the 2020/21 audit, and the plan for the 2021/22 and 2022/23 audit, and to identify matters that the Committee wish to bring to the attention of the auditor.
2. That the Pension Fund Committee approve the 2021/22 Draft Annual Report to be published.

1. Reasons for the Recommendations

2020/21 External Audit Update

- 1.1 In 2021 BDO presented their audit plan for the pension fund which gave an approximate audit end date of October 2021. However, to date the 2020/21 audit report is still outstanding.

- 1.2 BDO have provided several updates at previous Local Pension Board and at Pension Fund Committees.
- 1.3 To date officers have still not received the completed audit report.
- 1.4 BDO have advised that the Pension Fund committee in the July 2023 meeting that Pension Fund Accounts are ready to sign off, when the Council Accounts are ready to be signed off.
- 1.5 BDO have provided an update to the Governance, Audit, Risk Management and Standards Committee on 27th November 2023. As part of the Audit Status Report (item 9) presented at that meeting, BDO provided a progress and timeline report. This can be found here- Appendix A - BDO Audit Progress Timelines Report LB Barnet.pdf (modern.gov.co.uk)
- 1.6 BDO have advised in this report that a few outstanding reviews and issues remain with the Council's Accounts, and have stated that these should be completed in January 2024, with the audit opinion report being published in February 2024.

2021/22 External Audit Plan

- 1.7 Due to the delays in completing the 2020/21 audit, BDO have advised that an audit plan report is not yet available.
- 1.8 The draft 2021/22 accounts have been published. The deadline for the publication of the accounts was 30th September 2022.
- 1.9 BDO advised at the March 2023 Pension Fund Committee that a draft plan for the 2021/22 accounts audit had been presented to Senior Officers, but not agreed.

2022/23 Accounts

- 1.10 The Draft 2022/23 Pension Fund accounts were published with the Main Council accounts before the statutory deadline on 31st May 2023.
- 1.11 Officers do not expect any audit plan to be presented until the completion of the 2021/22 audit.

Draft Annual Reports

Background

- 1.12 Section 57 of the LGPS Regulations 2013 requires each LGPS Fund to prepare an Annual Report. The report must be published by 1 December following the year to which it relates. The report must contain:
 - a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;
 - b) a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;
 - c) a report of the arrangements made during the year for the administration of each of those funds;
 - d) for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 62 (actuarial valuations of pension funds), of the level of funding disclosed by that valuation;
 - e) the current version of the statement under regulation 55 (governance compliance statement);
 - f) for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;
 - g) an annual report dealing with—
 - i. the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in a pension administration strategy in accordance with regulation 59 (pension administration strategy), and
 - ii. such other matters arising from a pension administration strategy as it considers appropriate;

- h) the current version of the statement referred to in regulation 58 (funding strategy statement);
- i) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;
- j) the current version of the statement under regulation 61 (statements of policy concerning communications with members and Scheme employers); and
- k) any other material which the authority considers appropriate.

Publishing the Annual Report

1.13 Individual Fund Annual Reports are published on the Scheme Advisory Boards website LGPSBoard.org ([LGPS Board - Fund Annual Reports 2023 \(lgpsboard.org\)](http://LGPSBoard.org)) and Barnet Pension Fund’s website (Local Government Pension Scheme | Barnet Council). Note that the Annual Report is not the same as our Pension Fund Accounts (although the Annual Report includes a Statement of Accounts). Pension Fund accounts form part of the Council’s Full Accounts.

1.14 The cycle of preparing reports has been complicated by the audit situation impacting Local Authority more generally. The current situation in terms of publishing reports for the Barnet Pension Fund is as follows:

	SAB	Barnet Pension Fund website	Comment
2019/20	Audited and signed	Audited and signed	Compliant
2020/21	Draft Annual Report (based on unaudited Statement of Accounts)	Draft Annual Report (based on unaudited Statement of Accounts)	Non-compliant
2021/22	Unaudited Council Accounts (which includes Pension Fund Accounts)	None	Non-compliant
2022/23	None	None	Non-compliant

1.15 Officers summarise actions in order move the position forward for the Barnet Pension Fund below.

2020/21

1.16 At the 22nd February 2022 meeting the Pension Fund Committee agreed to publish the 2020/21 Annual Report and Accounts, and to delegate the signing of the Report and Accounts to the Chairman of the Committee and the Director of Resources and S151 Officer.

1.17 We have therefore published an updated draft 2020/21 Annual Report reflecting unaudited Statement of Accounts on the SAB website and the Barnet Pension Fund website. The status of the unaudited Statement of Accounts for 2021/22 is such that we are not expecting material changes relative to the unaudited numbers disclosed. Once full Council Accounts have been audited, we will re-publish the full annual report on both the SAB and Barnet Pension Fund websites.

2021/22

- 1.18** We do not currently have authority from the Pension Fund Committee to publish a draft unaudited Annual Report for 2021/22. Field work from the auditors has not begun for the 2021/22 period and so it is unclear whether the draft Pension Fund numbers disclosed within the 2021/22 Full Council Accounts will change materially.
- 1.19** However, the Council has published its Full Accounts, which include draft Pension Fund accounts, and these have been linked on the SAB website and so there is a public record of draft Pension Fund accounts. Officers are therefore suggesting that a draft Annual Report is published on both the SAB and Barnet Pension Fund website to include unaudited Statement of Accounts numbers. A draft copy of the report is attached as Appendix 1 for consideration in this context.

2022/23

- 1.20** No Annual Report document has been published on either the SAB website or the Barnet Pension Fund website. Draft Pension Fund Accounts for 2022/23 have been published within the Full Council accounts. The status of these accounts is less certain as both opening and closing numbers have not been subject to any fieldwork from the Council's auditors.
- 1.21** Officers are therefore seeking views from the Committee on whether it would be appropriate to publish a draft (unaudited) Annual Report for 2022/23. If the Committee feel it would be appropriate, then Officers will bring a draft report for approval for the Committee at the 1 February 2024 extra-ordinary meeting.

2. Alternative Options Considered and Not Recommended

- 2.1** None

3. Post Decision Implementation

- 3.1** None- The external auditor will report to the Board following the conclusion of the audit.

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

- 4.1** In its original request the Council stated that the request supports Our Plan for Barnet 2023-26. Under 'Being an effective and engaged council' the priority set out is 'making the best possible use of our financial resources, now and in the future, so that we are able to continue to deliver on what matters to Barnet residents'

Corporate Performance / Outcome Measures

- 4.2** Not applicable in the context of this report

Sustainability

- 4.3** Not applicable in the context of this report

Corporate Parenting

- 4.4** Not applicable in the context of this report.

Risk Management

4.5 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.

Insight

4.6 Not applicable in the context of this report

Social Value

4.7 Arrangements for proper administration of financial affairs and contributing to the Pension Fund ensures that contributing members have a secured income on retirement.

5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)

5.1 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 The external audit fees for 2021/22 are £35,789 (£36,170 for 2020/21).

5.3 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.

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

6. Legal Implications and Constitution References

6.1 The efficient governance and administration Section 151 of the Local Government Act 1972 requires that "...every local authority shall make arrangements for the proper administration of their financial affairs".

6.2 The Council is a public authority that is subject to the audit of its annual accounts by an external auditor. The Local Audit and Accountability Act 2014, Part 5 specifies the conduct of local audit.

6.3 Part 3, regulation 9 of the Accounts and Audit Regulations 2015 requires that the statement of accounts must be considered by a committee or full council and approved by a resolution of that body. The accounts must then be signed by the person presiding at the meeting. The Section 151 officer must then reconfirm on behalf of the authority that they are satisfied that the statement of accounts presents a true and fair view of the financial position of the authority and its income and expenditure for that year.

6.4 The 2015 Regulations require that the final approved accounts are published not later than 30th September of the financial year immediately following the end of the financial year to which the statement relates. The audit did not commence until September 2021 and it was therefore not possible for it to be concluded in line with the statutory deadline. Part 2B - Terms of Reference & Delegation of Duties to Committees and Sub-Committees of the Council Constitution, Para 15.1.9 states that the Pension Fund Committee has responsibility to review and consider approval of the Pension Fund's Annual Report and Statement of Accounts, together with recommendations from external and internal auditors

7. Consultation

7.1 Not required

8. Equalities and Diversity

8.1 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.

8.2 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.

9. Background Papers

9.1 None