

Committee: London Borough of Merton -Pension Fund Advisory Panel

Date: 21 July 2020

Wards: All

Subject: 2019/20 Merton Pension Fund– The Annual Audit Plan and Preparatory Activity

Lead officer: Caroline Holland

Lead member: Cllr. Mark Allison

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RECOMMENDATION

Members are asked to note the 2019-20 audit Planning Report from the Fund's auditors EY that relates to the Merton Pension Fund's financial accounts, as set out in Appendix 1.

That PFAP notes the preparatory activity undertaken by Officers and the audit progress, as set out in the main report.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMAR

- 1.1 This report presents the Merton Pension Fund's 2019-20 audit plan prepared by the Council's external auditors EY LLP. This report sets out details of their proposed audit scope for the Merton Pension Scheme for the year ending 31 March 2020.
- 1.2 The auditors EY presented this audit report along with the main Council's audit report at the 12 March 2020 Standard and General purpose Committee. A further update on the audit plan as a result of COVID-19 will be presented at the 31 July Standard and General Purpose committee.

2. DETAIL

- 2.1 The purpose of the audit planning report is to set out to the PFAP the key considerations in planning for this year's audit with a view to ensuring that the year-end activities can be managed smoothly.
- 2.2 The responsibilities of the auditors are set out in Appendix 1 – Briefing on Audit Matters. The auditors are asked to treat the Local Government Pension Scheme as a stand-alone body, with a separate audit plan and report to the PFAP.
- 2.3 The precise details of approach to be adopted by the auditors are laid out in the Appendix to this report.

Preparatory Activity for 2019/20 Statement of Accounts

- 2.4 In general, officers have commenced and progressed preparations for financial year-end from a much earlier point in the year. The officers had an initial meeting with the auditors in January 2020
- 2.5 There has been extensive engagement between the Pension Shared Service and Pension Team at Merton to ensure that planning for year-end is embedded, and therefore laying the groundwork for a trouble-free exercise.
- 2.6 The annual audit for the Merton Pension Fund began on the 11 May 2020 and we are very pleased to inform the Panel that the auditors have progressed well with the audit and expect to present their audit report to the September PFAP meeting.

3. ALTERNATIVE OPTIONS

- 3.1 N/A

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. Although the Pension Fund's Statement of Accounts and Annual Report are a statutory document, whose format is dictated by statute and regulation, it is produced by the Pension team at Merton closely working with Pension Shared services and with input from the Fund's investment managers, LCIV pool and Fund custodians.

5 TIMETABLE

- 5.1. The 2019/20 reporting cycle opens formally with this report, and will conclude with presentation of the final Pension Fund Statement of Accounts and Annual report in Sept 2020.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1 There are no direct financial implications in agreeing the recommendations to this report. The annual audit fee is £16,170.00 although there may be additional fees of £1000- £5000 based on new risks related to US currency risk arrangements. More detail can be found in Appendix 1

	Planned fee 2019/20	Final Fee 2018/19
	£	£
Scale Fee - Code work (1)	16,170	16,170
Additional fee relating to new LCIV arrangements	-	2,000
Additional fee new significant risk relating to US currency hedge (2)	1,000-5,000	-
Additional fee for work on the 2019 triennial valuation of the Fund that has yet to be determined and agreed by PSAA (3)	TBC	-
Total indicative Pension Fund fee	TBC	18,170

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. The Accounts and Audit (England) Regulations 2015 require the Council to maintain an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practice.
- 7.2. The Pension Fund accounts are governed by the overall financial framework for local authorities, and in conjunction with the full Code of Practice on Local Authority Accounting in the United Kingdom: 2019/20 Accounts ('The Code').

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. N/A

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. N/A

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. N/A

11 APPENDICES

- 11.1 EY – Pension Fund audit plan 2019-20

12 BACKGROUND PAPERS

- 12.1. N/A

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