

Committee: Pensions Committee

Merton Pension Committee

Date: 24 March 2022

Merton Pension Board

Date: 28 March 2022

Wards: All

Subject: Merton Pension Fund – 2020/21 Final Audit Results Report and 2021-22 Audit Plan

Lead officer: Caroline Holland -Director of Corporate Services

Lead member: Cllr. Owen Pritchard -Cabinet Member for Finance

Contact officer: Nemashe Sivayogan- Head of Treasury and Pension

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RECOMMENDATION

Members are asked to note the Merton Pension Fund's 2020-21 final audit report and the 2021/22 Audit planning report from Ernst and Young that relates to the Fund's financial accounts, as set out in Appendix 1 and 2

That Committee notes the preparatory activity undertaken and underway by Officers, as set out in the main report.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMAR

- 1.1. This report presents the Merton Pension Fund's 2020-21 final audit report following the completion of the audit and issuing an unqualified audit opinion on the 4 February 2022
- 1.2 The Audit plan is prepared by the Council's external auditors Ernst and Young LLP sets out the details of their proposed audit scope for the Merton Pension Fund for the year ending 31 March 2022.

2. DETAIL

- 2.1 the **2020/21 Final audit report** have no major change from the report presented to the committee on the 23 Sept 2021. Even though the IAS 540 issues arose at a later stage of the audit. The auditors had nothing to disclose or make an audit recommendation in this section.
- 2.2 Following the completing of the audit, the 2020/21 Annual report is now published on our website.

- 2.3 The 2021/22 audit plan sets out to the key considerations of planning for this year's audit with a view to ensuring that the year-end activities can be managed smoothly.
- 2.4 The responsibilities of the auditors are set out in Appendix 1 – Merton Pension Fund Audit Plan- Briefing on Audit Matters.
- 2.5 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 Pension Committee.

Preparatory Activity for 2021-22 Statement of Accounts

- 2.6 The preparations for financial year-end have commenced already. The officers have started having regular meetings with the auditors in relation to Interim and the final audit. Even though it took longer to sign off the 2021/22 audit we hope to build on last year's good work by both parties and have a smooth audit.
- 2.7 We now have a proposed audit timetable for the pension fund audit. EY will carry out their sample tastings and walk throughs in May and June 2022. Any remaining work will be completed as part of the main Council audit in Sept/oct 2022 and complete it by the statutory deadline 30 November 2022.

3. ALTERNATIVE OPTIONS

- 3.1. N/A

4 CONSULTATIONS UNDERTAKEN OR PROPOSED

- 4.1. Although the Pension Fund's Statement of Accounts and Annual Report are statutory documents whose formats are dictated by statute and regulation, they are produced by the pension team at Merton by closely working with pension shared services and input from the Fund's investment managers and the Fund custodian.

5 TIME TABLE

- 5.1. The 2020-21 reporting cycle opens formally with this report and will be continued with the presentation of the final Pension Fund Statement of Accounts and Annual Report in September 2022.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1 There are no direct financial implications in agreeing the recommendations in this report. The annual audit fee of £16,170.00 will be paid by the Pension Fund. However, there are some additional charges by EY will make up the total audit fee. Please see the table below for the breakdown.

	Planned fee 2021/22	Planned fee 2020/21	Final Fee 2019/20
	£	£	£
Scale Fee - Code work (1)	16,170	16,170	16,170
Planned recurrent fee variation reflecting the underlying level of additional risk at the Authority yet to be agreed by the Authority or PSAA (See Note 1)	28,290	28,290	9,900
Going concern and PBSE assessments and disclosures including EY consultations (2)	TBC	2,000 - 6,000	2,900
IAS 19 work on the 2019 triennial valuation of the Fund (3)	TBC	5,500	9,000
Total	TBC	TBC	37,970

All fees exclude VAT

1. We remain in discussion with PSAA about increasing the scale fee to reflect the additional work auditors are required to do to meet regulatory requirements. In our view the scale fee for the Merton PF audit should be increased by £28,290. For 2019/20 PSAA determined additional fees of £9,900 in relation to this.
2. The 2019/20 additional fees have been agreed with management and approved by PSAA.
3. IAS19 work is to provide assurance to the auditor of the LB Merton. These additional fees are not subject to approval from PSAA and for 2019/20 (where there was additional work on the triennial data) we have agreed fees with management.

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: 2021-22 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 2021-22.

12 BACKGROUND PAPERS

- 12.1. 2021-22 CIPFA Sample accounts and Disclosure checklist.

