

Committee: Merton Pension Committee

Merton Pension Committee

Date: 30 March 2023

Merton Pension Board

Date: 28 March 2023

Wards: All

Subject: Merton Pension Fund – 2021/22 Final Audit Results Report and 2022-23 Audit Plan

Lead officer: Roger Kershaw -Executive Director of Finance and Digital

Lead member: Cllr. Billy Christie -Cabinet Member for Finance

Contact officer: Nemashe Sivayogan- Head of Treasury and Pensions

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RECOMMENDATION

Members are asked to note the Merton Pension Fund's 2021-22 Final audit report and the 2022/23 Audit plan 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 2021-22 final audit report following the completion of the audit and issuing an unqualified audit opinion on the 7 February 2023
- 1.2 The 2022-23 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 2023.

2. DETAIL

- 2.1 the **2021/22** Final audit report have no major change from the report presented to the committee on the 17 November 2022. Please note the delay in signing the Pension fund Accounts and the annual report is solely due to the infrastructure accounting issues related to the main Council's audit and not the Pension Fund.
- 2.2 Following the completing of the audit, the 2021/22 Annual report is now published on our website.

- 2.3 The 2022/23 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 2022-23 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.
- 2.7 Compared to many Pensions Funds audit Merton Pension Fund is in a fortunate position. We will be closing the 2022-23 ledger and compiling the statement of account with our any previous years' accounts open and audit on going. This is mainly due to the effectiveness of the team and working closely with the auditors.
- 2.8 However at the audit plan meeting EY has indicated to us that they will not be able to start the 202-23 audit up until Sept 2023. This means we are in a very unlikely position to complete the audit and sign off by the 30 Sept deadline. This is mainly to complete all outstanding previous audit.
- 2.9 The officers have raised our concerns with the auditors. The Fund which worked so effectively and got its accounts signed should be punished for the other audit delay. Diverting the resources and time from the Merton audit. The officers are waiting for a response the auditors.
- 3.0 We are in the process of drafting the audit time when EY have more information of the audit field work and resources.

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 TIMETABLE

- 5.1. The 2022-23 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 based on the external audit timetable.

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 2022/23	Planned fee 2021/22	Final Fee 2020/21
	£	£	£
Scale Fee – Code work (1)	16,170	16,170	16,170
Final 2020/21 scale fee variation determined by PSAA (see Note 1)	-	-	16,078
Increased fee for carrying out the audit (see Note 2)	35,397	35,397	-
Risk based scale fee variation not yet quantified (see Note 3)	TBC	TBC	-
IAS 19 work on the 2019 triennial valuation of the Fund	TBC	8,500	8,000
Total	TBC	TBC	37,970

All fees exclude VAT

Note 1 -The 2020/21 additional fees have been determined by PSAA at £16,078.

Note 2 -In order to meet regulatory and compliance audit requirements not present in the market at the time of our bid to PSAA for this contract, we assessed that the recurrent cost of additional requirements to carry out our audit should increase by £35,397. EY remain in discussion with PSAA about increasing the scale fee to reflect the additional work auditors are required to complete.

Note 3 –EY have yet to quantify our proposed risk-based scale fee variation for 2021/22. EY will report our proposed 2021/22 scale fee variation to management and the Standards and General Purposes Committee in due course.

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: 2022-23 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 2022-23.

12 **BACKGROUND PAPERS**

12.1. 2022-23 CIPFA Sample accounts and Disclosure checklist.