



## Committee report

COMMITTEE	<b>ISLE OF WIGHT PENSION BOARD</b>
DATE	<b>24 APRIL 2019</b>
TITLE	<b>PENSION FUND AUDIT PLAN 2018-19</b>
REPORT OF	<b>TECHNICAL FINANCE MANAGER</b>

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### EXECUTIVE SUMMARY

1. This report presents the external audit plan for the pension fund's 2018-19 accounts, which was presented to the Audit Committee on 18 February 2019.
2. Members are asked to note the plan, including the key risks identified, and the materiality limits (see paragraph 8 below) applied to the fund's accounts.

### BACKGROUND

3. The fund's external auditors, Ernst & Young LLP, presented their audit plan for the 2018-19 accounts to the Audit Committee meeting on 18 February 2019. The plan is presented at Appendix 1 to this report.
4. The audit partner introduced the plan, and talked members through the audit strategy, in section 1 of Appendix 1, including the key audit risks and areas of focus identified for the year:
  - Misstatements due to fraud or error.
  - Risk of manipulation of investment valuation and income.
  - New accounting standards.
5. Members of the Audit Committee were informed that there was no greater risk of the above happening in respect of the Isle of Wight Pension Fund than at any other pension fund; these are key risk areas that are the focus of all external audits. The auditors' response to the key risk areas is detailed in section 2 of the appendix.
6. Members' attention was drawn to the other areas of audit focus, which will specifically be reviewed during the audit, and reported back to the audit committee in the final audit report, namely the ongoing Pensions Regulator review and the members' data.
7. The board is scheduled to receive reports on both of these subjects at its meeting on 24 April.

8. Section 3 of the appendix sets out the materiality levels applied to the pension fund audit. Materiality is an accounting concept which relates to the importance or significance of an amount, a transaction or an error. The International Accounting Standards Board defines information as material if "*omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the ... users of ... financial statements make on the basis of those financial statements*".
9. These values assist the auditors in determining the extent of their audit work, and the potential value of errors which could have a significant impact on the accounts.
10. The timetable for the audit work and reporting is included at section 6 of the appendix. The interim field work was completed in the week commencing 25 March 2019. The main audit visit will take place in the three weeks commencing 13 May 2019.
11. The final audit report will be presented to the Audit Committee meeting on 29 July 2019. Updates will be provided to the Pension Fund Committee and Pension Board at meetings in May and June 2019.

### STRATEGIC CONTEXT

12. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employers to meet the costs of future benefits accruing.
13. The assurance provided by the external audit process will support compliance with the newly agreed governance objectives of the fund, specifically to "*ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice*".
14. It will also contribute to the first outcome of the latest Corporate Plan 2017-20: a financially balanced and stable council.

### FINANCIAL / BUDGET IMPLICATIONS

15. The fee for the completion of the 2018-19 external audit is £16,235, as set out in section 8 of the attached appendix. This is a fee reduction compared to the previous year's fees.
16. All costs of the external audit will be charged against the pension fund budget and will be reported separately to the board and committee in due course.

### LEGAL IMPLICATIONS

17. Under the Local Audit and Accountability Act 2014, the council is required to have an independent external audit of its financial statements, including those of the pension fund, that also provides some assurance that the council takes reasonable actions to secure economy, efficiency and effectiveness in its use of resources.

18. The section 151 officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2015 to ensure that the council's budgeting, financial management, and accounting practices (including those for the pension fund for which it is administering authority) meet the relevant statutory and professional requirements. Members must have regard to and be aware of the wider duties placed on the council by various statutes governing the conduct of its financial affairs.

#### EQUALITY AND DIVERSITY

19. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
20. The external audit plan for 2018-19 will have no impact on any of the protected characteristics.

#### RISK MANAGEMENT

21. The external audit plan identifies areas of significant risk associated with the preparation and presentation of the pension fund's annual accounts and sets out the additional assurance that will be sought to ensure that the risks are mitigated.
22. The final audit report will include reference to the risks identified at the planning stage and provide assurance to those charged with governance of the fund that the accounts have been properly prepared.

#### RECOMMENDATION

23. Members are asked to note the external audit plan for the 2018-19 pension fund accounts.

#### APPENDICES ATTACHED

24. [Appendix 1](#): Isle of Wight Pension Fund External Audit planning report, year ended 31 March 2019.

#### BACKGROUND PAPERS

25. Audit Committee meeting 18 February 2019, Minutes item 29 c)  
<https://www.iow.gov.uk/Meetings/committees/Audit%20Committee/18-2-19/minutes.pdf>

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