

**Report for:** Pensions Committee and Board – 21 March 2023

**Title:** External Audit Progress Report

**Report authorised by:** Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

**Lead Officer:** Tim Mpofu, Head of Pensions and Treasury,  
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**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Not applicable

## **1. Describe the issue under consideration**

1.1. This report updates the Pensions Committee and Board on the external audit progress for the Pension Fund's Statement of Accounts for the year ending 31 March 2021.

## **2. Cabinet Member Introduction**

2.1. Not applicable

## **3. Recommendations**

The Pensions Committee and Board is recommended:

3.1. To note the Audit Progress Report prepared by the Pension Fund's external auditors, BDO, and appended as Appendix 1 to the report.

## **4. Reason for Decision**

4.1. Not applicable.

## **5. Other options considered**

5.1. Not applicable.

## **6. Background information**

6.1. The Pension Fund is required to produce annual Statement of Accounts and have them audited independently each year. In the summer of 2021, the Council published the draft Statement of Accounts (including the accounts for Haringey Pension Fund) for the financial year ending 31 March 2021. The final version of

the accounts will be approved by the Pensions Committee and Board (PCB) after the audit is completed.

- 6.2. Work on the audit has been ongoing since November 2021, and in December of that year, external auditors, BDO presented the audit plan to the PCB. The plan outlined their approach to conducting the audit, including key areas of focus, timescales, resourcing, and fees.
- 6.3. The 2020/21 audit has not progressed as initially planned due to several factors, including, increased complexities in public sector accounting and regulatory requirements, which have added pressured to the audit sector overall. As of 31 December 2021, only 40% of public sector audits had been completed.
- 6.4. BDO, like other audit firms, has faced challenges in recruiting and retaining staff with suitable public sector experience to carry out the required audit work. This has been exacerbated by the long-term impacts of Covid-19 and remote working.
- 6.5. Despite the challenges, officers are continuing to work with the auditors, providing them with all the necessary information to ensure the audit of the Pension Fund's Statement of Accounts is completed as soon as possible.

### **Audit Progress Report Overview**

- 6.6. BDO have prepared an Audit Progress Report for consideration by the PCB, which has been included as Appendix 1 to this report. The report summarises the results of the work done so far for the audit of the Statement of Accounts for the year ending 31 March 2021. This includes specific audit findings, conclusions and misstatements identified to date, as well as areas requiring further attention.
- 6.7. The report states that audit work on the financial statements is substantially complete, with a few key outstanding areas and ongoing internal quality reviews still pending from the auditors.

### **Key findings**

- 6.8. According to the report, the auditors have not found anything that would require a modification of the audit opinion on the financial statements based on the work completed to date. However, the report identifies a material misstatement of £11.2m in the valuation of the Fund's private equity investments.
- 6.9. Audited versions of private equity asset statements are typically received within 90-120 days of the reporting period due to the complexities involved in valuing the underlying assets. This means that the valuation as at the end of the financial year is often based on estimates. The Fund's approach to applying these estimates is detailed in the Notes to the Pension Fund Accounts. Due to this timing difference, it is not uncommon for there to be material differences between unaudited and audited valuations. In such cases, it would be appropriate for these valuations to be revised in the post-audit version of the financial statements.

6.10. Officers have agreed with BDO to revise the valuation of the private equity investment as at 31 March 2021, resulting in an increase of £11.2m in Pension Fund's net asset value. This change has also been reflected in the opening value of the draft Statement of Accounts for the year ending 31 March 2022.

### **Next steps**

6.11. The auditors have not confirmed a timescale for completing the audit of the Statement of Accounts for the year ending 31 March 2021, nor for the start of the audit for the Statement of Accounts for the year ending 31 March 2022. However, the PCB could request that a further update be provided by the auditors at the next meeting.

## **7. Contribution to Strategic Outcomes**

7.1. Not applicable

## **8. Statutory Officer Comments**

### Finance and Procurement

8.1. Code fees for the audit are set centrally by the Public Sector Audit Appointments (PSAA). In addition to the code audit fee of £16,710, additional fees of £9,000 have been estimated. This is due to the expectation that auditors will undertake additional work around management judgement and estimates, with £4,000 attributed the additional resource time and costs for carrying out audits remotely.

8.2. As detailed in Appendix 1 to this report, Audit Progress Report, the external audit of the Statement of Accounts for the year ending 31 March 2021 has been experiencing ongoing delays. As a result, there is a risk that the actual fees charged for the audit may be significantly higher than originally anticipated. All fees associated with the audit will be paid by the Pension Fund.

### Legal

8.3. The Head of Legal and Governance (Monitoring Officer) has been consulted on the content of this report. Part of the Council's duty as administering authority for the Haringey Pension Fund is to ensure that the annual accounts are properly audited, and the audit progress reports outlines how this work has been carried out up to now.

8.4. The external audit has still not been completed, Section 70 of the Pensions Act 2004 imposes a reporting requirement on the administering authority where there is reasonable cause to believe that a duty which is relevant to the administration of the scheme and imposed legislation has not been complied with and the failure is one which is of "material significance" then a written report must be made to the Pension Regulator.

### Equalities

8.5. There are no equalities issues arising from this report.

## **9. Use of Appendices**

9.1. Appendix 1: Audit Progress Report

## **10. Local Government (Access to Information) Act 1985**

10.1. Not applicable.