

Somerset Pensions Board
Thursday 16 March 2017
10.00 am Luttrell Room - County Hall,
Taunton



Thanks Stephanie

Can you have a quick check to see how many we have received

To: The Members of the Somerset Pensions Board

Cllr M Healey (Chairman), Paul Deal, Tim O'Connor, Patricia Rowe and James Gilbody

Issued By Julian Gale, Strategic Manager - Governance and Risk - 8 March 2017

For further information about the meeting, please contact Neil Milne on 01823 359045 or ndmilne@somerset.gov.uk

Guidance about procedures at the meeting follows the printed agenda.

This meeting will be open to the public and press, subject to the passing of any resolution under Section 100A (4) of the Local Government Act 1972.

This agenda and the attached reports and background papers are available on request prior to the meeting in large print, Braille, audio tape & disc and can be translated into different languages. They can also be accessed via the council's website on www.somerset.gov.uk/agendasandpapers



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AGENDA

Item Somerset Pensions Board - 10.00 am Thursday, 16 March 2017

*** Public Guidance notes contained in agenda annexe ***

1 **Apologies for absence**

2 **Declarations of Interest**

3 **Minutes of the last meeting held on 22 July 2016 (Pages 5 - 8)**

The Committee is asked to confirm the minutes are accurate.

4 **Public Question Time**

The Chairman will allow members of the public to present a petition on any matter within the Board's remit. Questions or statements about any matter on the agenda for this meeting will be taken at the time when each matter is considered.

5 **Business Plan Update (Pages 9 - 14)**

To consider this report.

6 **LGPS Pooling of Investments (Pages 15 - 16)**

To consider this report.

7 **Review of Pension Fund Risk Register (Pages 17 - 22)**

To consider this report.

8 **Review of Administration Performance (Pages 23 - 28)**

To consider this report.

9 **Pension Fund 16/17 Audit Plan (Pages 29 - 48)**

To consider this report.

10 **Review of Pension Committee papers**

To consider the Pension Committee papers, circulated separately.

11 **2018 Pension Board meeting dates (Pages 49 - 50)**

To consider this report.

12 **Any other business of urgency**

The Chairman may raise any items of urgent business.

Guidance notes for the meeting

1. Inspection of Papers

Any person wishing to inspect Minutes, reports, or the background papers for any item on the Agenda should contact the Committee Administrator for the meeting – Neil Milne on Tel (01823) 359045 or 357628; Fax (01823) 355529 or Email: ndmilne@somerset.gov.uk
They can also be accessed via the council's website on www.somerset.gov.uk/agendasandpapers

2. Members' Code of Conduct requirements

When considering the declaration of interests and their actions as a councillor, Members are reminded of the requirements of the Members' Code of Conduct and the underpinning Principles of Public Life: Honesty; Integrity; Selflessness; Objectivity; Accountability; Openness; Leadership. The Code of Conduct can be viewed at: <http://www.somerset.gov.uk/organisation/key-documents/the-councils-constitution/>

3. Minutes of the Meeting

Details of the issues discussed and recommendations made at the meeting will be set out in the Minutes, which the Committee will be asked to approve as a correct record at its next meeting.

4. Public Question Time

If you wish to speak, please tell Neil Milne, the Committee's Administrator, by 12 noon the (working) day before the meeting.

At the Chairman's invitation you may ask questions and/or make statements or comments about any matter on the Committee's agenda – providing you have given the required notice. You may also present a petition on any matter within the Committee's remit. The length of public question time will be no more than 30 minutes in total.

A slot for Public Question Time is set aside near the beginning of the meeting, after the minutes of the previous meeting have been signed. However, questions or statements about any matter on the Agenda for this meeting may be taken at the time when each matter is considered.

You must direct your questions and comments through the Chairman. You may not take direct part in the debate. The Chairman will decide when public participation is to finish.

If there are many people present at the meeting for one particular item, the Chairman may adjourn the meeting to allow views to be expressed more freely. If an item on the Agenda is contentious, with a large number of people attending the meeting, a representative should be nominated to present the views of a group.

An issue will not be deferred just because you cannot be present for the meeting. Remember that the amount of time you speak will be restricted, normally to two minutes only.

5. Exclusion of Press & Public

If when considering an item on the Agenda, the Committee may consider it appropriate to pass a resolution under Section 100A (4) Schedule 12A of the Local Government Act 1972 that the press and public be excluded from the meeting on the basis that if they were present during the business to be transacted there would be a likelihood of disclosure of exempt information, as defined under the terms of the Act.

6. Committee Rooms & Council Chamber and hearing aid users

To assist hearing aid users the following Committee meeting rooms have infra-red audio transmission systems (Luttrell room, Wyndham room, Hobhouse room). To use this facility we need to provide a small personal receiver that will work with a hearing aid set to the T position. Please request a personal receiver from the Committee's Administrator and return it at the end of the meeting.

7. Recording of meetings

The Council supports the principles of openness and transparency. It allows filming, recording and taking photographs at its meetings that are open to the public - providing this is done in a non-disruptive manner. Members of the public may use Facebook and Twitter or other forms of social media to report on proceedings and a designated area will be provided for anyone wishing to film part or all of the proceedings. No filming or recording may take place when the press and public are excluded for that part of the meeting. As a matter of courtesy to the public, anyone wishing to film or record proceedings is asked to provide reasonable notice to the Committee Administrator so that the relevant Chairman can inform those present at the start of the meeting.

We would ask that, as far as possible, members of the public aren't filmed unless they are playing an active role such as speaking within a meeting and there may be occasions when speaking members of the public request not to be filmed.

The Council will be undertaking audio recording of some of its meetings in County Hall as part of its investigation into a business case for the recording and potential webcasting of meetings in the future.

A copy of the Council's Recording of Meetings Protocol should be on display at the meeting for inspection, alternatively contact the Committee Administrator for the meeting in advance.

Pensions Board

Minutes of a meeting of the Pensions Board held in Room A119, County Hall, Taunton on Friday 22 July 2016 at 10:00.

Present

Cllr M Healey (Chairman)

Mr Paul Deal

Mrs P Rowe

Apologies:

Mr J Gilbody, Mr T O'Connor

Officers present:

Stephen Morton – Finance Technical;

Anton Sweet – Funds & Investment Manager

Rachel Lamb & Charlotte Thompson – Peninsula Pensions.

Also present:

Cllr G Noel;

Peter Barber, Catherine Brown & Steph Thayer of Grant Thornton, External Auditors.

45 Apologies for absence – agenda item 1

Apologies had been received from Mr Gilbody and Mr O'Connor. Mr O'Connor had submitted a number of questions by email; the Board agreed that Ms Thompson and Mr Sweet would reply to these.

46 Declarations of interest – agenda item 2

None made.

47 Election of Chairman – agenda item 3

Cllr Healey was elected Chairman of the Board for the ensuing year.

48 Minutes of the meeting held on 24 March 2016 – agenda item 4

The minutes of the meeting held on 24 March 2016 were accepted as being accurate and were signed by the Chairman.

49 Public Question Time – agenda item 5

There were no members of the public present and no questions were asked, statements/comments made or petitions presented.

50 Business Plan Update – agenda item 6

The Board considered its Business Plan for the coming year and made the following adjustments and additions:

- To arrange for training for Board members (the Fund & Investment Manager to action, possibly in connection with training for new councillors following the May 2017 elections). Grant Thornton agreed to give a short presentation when required.
- To change the date of the September meeting to 23 September, to follow the Pension Fund AGM at Dillington.
- To arrange for the Actuary to attend the Board meetings in September and December
- To include performance statistics from Peninsula Pensions; Ms Thompson agreed to provide monthly reports to highlight monthly data.

51 Analysis of Receipt of Contributions from Employers for 2015/2016 – agenda item 7

The Board considered a report by the Fund & Investment Manager which gave an update on the effectiveness of the Fund in collecting pension contributions from employers during the 2015/16 financial year. There had been 104 instances of late payment during this period, making up 6.74% of payments. These were spread over 30 employers, mainly smaller bodies. Based on average monthly contributions from employers, 99.66% of payments had been received on or before the due date and all contributions due during the year had been received.

The Board supported the officers' view that this was not of 'material significance', that there had been no significant impact on the Fund and that there had been no intentional evasion. The Board agreed that no further action was needed.

During discussion, questions were raised on the effect of the European referendum on the Fund. The Fund & Investment Manager advised that there had been no real impact as yet, although in the short term the value of the Fund's overseas assets and sterling bonds had been boosted by the weak pound. He confirmed that the Fund was well protected and that current returns were generally looking positive, but that much would depend on the way the Brexit process was managed.

52 Report of Grant Thornton – agenda item 8

Mr Barber and Ms Thayer of Grant Thornton presented the Audit Findings for the Pension Fund for the year ended 31 March 2016. This was a partial report as the final statements were being examined by the Audit Committee in the coming but the key messages were:

- The draft financial statements were presented for audit in early June

2016. This voluntary commitment by the Pension Fund to bring forward their completion this year provided a strong platform for the requirement under the regulations for approval by 31 May for the 2017/18 financial year.

- The draft financial statements were free from material error and supported by good quality working papers.
- Timely responses had been received to the external auditors' enquiries.
- No adjustments affecting the Fund's reported financial position had been identified.
- As in previous years, the auditors highlighted that the Fund's journal policies did not require journals to be authorised by a second person. The officers maintained, however, that in their opinion, this was not necessary as compensating controls were in place.

The Board welcomed Grant Thornton's comprehensive report and its very positive findings, and thanked all involved for their work.

Cllr Noel raised some concerns that these papers were being seen by the Board before the Audit Committee had considered them. He was assured that this had been a timing issue but was consistent with the approach taken elsewhere. The Fund & Investment Manager agreed to look into this in order to ensure that members were notified when papers were available for inspection as soon as possible.

53 Report of Internal Auditors – agenda item 9

The Board received a paper giving details of SWAP's internal audit report covering the Pension Fund's Investments. No significant findings had been made, other than the need to provide sufficient training for the Fund's staff. The Fund & Investment Manager confirmed that he would be addressing this issue.

The Board commended the team for all their hard work over this period.

54 Review of Pension Committee papers – agenda item 10

The Board considered the agenda and reports from the 29 June meeting of the Pensions Committee, with the Funds and Investments Manager providing an overview of the reports. The following topics were covered in discussion:

- LGPS Pooling of Investments: The Board received an update on the arrangements being made, including timetable, business case and committee structure. The Government would have to put the necessary regulations in place first and any delays in this could impact on the projected start date of April 2018. The Chairman thanked the Fund team for their collaborative work to date.
- Analysis of Performance: the Board was pleased to note that all targets had been met.

- Budget and Membership Statistics Update: the Board noted that membership had increased and that the financial year was progressing as expected.
- Employer Body Update: Ms Thompson gave a brief update, including the fact that a number of Town and Parish Councils were considering joining the Fund.
- Review of Pension Fund Risk Register: although no new risks had been added, higher profile risks would be reviewed when the Actuarial report was received, as would bonds. The impact of Brexit did not currently warrant a risk of its own at the moment as it was covered by other headings, but this would be kept under review.

55 Any Other Urgent Business – agenda item 11

None.

(The meeting ended at 11.45 am)

Mark Healey
Chairman – Pensions Board

Business Plan Update

Lead Officer: Kevin Nacey: Director of Finance and Performance

Author: Anton Sweet: Funds and Investments Manager

Contact Details: (01823) 359584
asweet@somerset.gov.uk

Executive Portfolio Holder: Not applicable

Division and Local Not applicable

Member:

1. Summary

- 1.1 To update the Board's forward work-plan and agree topics for consideration at future meetings.

2. Issues for consideration

- 2.1 The Board is asked to suggest what it would like to consider at its future meetings in addition to the standard agenda items, and specifically the July 2017 meeting.

3. Background

- 3.1 To help manage the workload of the Board and allow officers to properly plan for and produce the necessary papers it is a practical necessity for the Board to adopt and populate a work-plan.

4. Consultations undertaken

None

5. Financial Implications

None

6. Background Papers

None

Note: For sight of individual background papers please contact the report author.

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SOMERSET COUNTY COUNCIL PENSION FUND

PENSION BOARD

MEETING WORKPLAN - 2017

Date	Proposed Items of Business	Lead Officer
25-Jul-17	<p><u>FORMAL MEETING</u></p> <p>1. Business Plan Update To consider progress against the Board's approved work-plan.</p> <p>2. LGPS Pooling of Investments Report to provide an update on progress on pooling of investments as per government guidance.</p> <p>3. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>4. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p> <p>5. Analysis of Receipt of Contributions from Employers To consider the process and timeliness of the collection of contributions from employers</p> <p>6. External Audit 2017 To consider the report of the External Auditor on the Fund's Annual Report and Accounts for 2016/2017.</p>	<p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>GT</p>

SOMERSET COUNTY COUNCIL PENSION FUND

PENSION BOARD

MEETING WORKPLAN - 2017

Date	Proposed Items of Business	Lead Officer
22-Sep-17	<p><u>ANNUAL MEETING</u></p> <p>Annual Employers Meeting of the Pension Fund at Dillington</p>	
28-Sep-17	<p><u>FORMAL MEETING</u></p> <p>1. Business Plan Update To consider progress against the Board's approved work-plan.</p> <p>2. LGPS Pooling of Investments Report to provide an update on progress on pooling of investments as per government guidance.</p> <p>3. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>4. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p> <p>5. Review of Benefit Administration Performance To consider the performance of Peninsula Pensions.</p>	<p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>CT/RL</p>
21-Dec-17	<p><u>FORMAL MEETING</u></p> <p>1. Business Plan Update To consider progress against the Board's approved work-plan.</p> <p>2. LGPS Pooling of Investments Report to provide an update on progress on pooling of investments as per government guidance.</p> <p>3. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>4. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p>	<p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p>

SOMERSET COUNTY COUNCIL PENSION FUND

PENSION BOARD

MEETING WORKPLAN - 2017

Date	Proposed Items of Business	Lead Officer
15-Mar-18	<p><u>FORMAL MEETING</u></p> <p>1. Business Plan Update To consider progress against the Board's approved work-plan.</p> <p>2. LGPS Pooling of Investments Report to provide an update on progress on pooling of investments as per government guidance.</p> <p>3. Review of Pension Fund Risk Register To review the risks within the fund and form an appropriate risk register for the fund.</p> <p>4. Review of Pensions Committee papers To consider the most recent pensions committee papers and any arising matters</p> <p>5. Review of Benefit Administration Performance To consider the performance of Peninsula Pensions.</p> <p>6. Pension Fund Audit Plan for 2017/2018 To consider the Audit Plan as drafted by the Fund's External Auditor</p>	<p>AS</p> <p>AS</p> <p>AS</p> <p>AS</p> <p>CT/RL</p> <p>GT</p>

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LGPS Pooling of Investments

Lead Officer: Kevin Nacey: Director of Finance and Performance

Author: Anton Sweet: Funds and Investments Manager

Contact Details: (01823) 359584
asweet@somerset.gov.uk

Executive Portfolio Holder: Not applicable

Division and Local Not applicable

Member:

1. Summary

- 1.1 Under guidance published by the Government on “LGPS: Investment Reform Criteria and Guidance” in November 2015 we are required to work towards the pooling of the Fund’s investment assets with other LGPS funds with pooling beginning in April 2018.

2. Issues for consideration

- 2.1 The Board is asked to consider and comment on this information report.

3. Background

- 3.1 Following the Government’s announcement in the July 2015 budget statement that they intended to work with Local Government Pension Scheme (LGPS) administering authorities to ensure that they pool investments to significantly reduce costs, significant work has been undertaken to set up the Brunel Pension Partnership comprising ten LGPS Funds.
- 3.2 The Government required an initial response by 19th February 2016, and a joint submission with the other nine Brunel funds was agreed by the Pensions Committee at its special meeting on 5th February. A further more detailed response was required by 15th July 2016 and a further Brunel submission was agreed by the Pensions Committee at its meeting on 29th June.
- 3.3 A full business case (FBC) has been produced by the Brunel Project Office and was agreed by SCC Pensions Committee at its meeting on 2nd December 2016. Subsequently all of the other 9 Funds involved in the Brunel project have agreed the full business case.

- 3.4 Within the project officers are now focussed the setting up of the FCA regulated company and transition of assets from April 2018. The first tangible evidence of this is the advert for a non-executive Chair for the Brunel Company and non-executive directors, which was placed in the Sunday times on 16th January 2017. Interviews with candidates for the Chair position are currently taking place and it is hoped a preferred candidate will be identified shortly. Once the Chair is in place they will lead the processes for the recruitment for the other non-executive directors and the CEO of the company.
- 3.5 As part of setting up the constitutional arrangements for the Brunel project the Pensions Committee, at its meeting on 3rd March, made a recommendation to SCC's full council that the Fund's position on the oversight board (which is separate to the Brunel Company board) should be included in the specification for the role of Chair of the Pensions Committee and that they would hold the shareholders rights for the Somerset Fund which they would use in consultation with the Pensions Committee.
- 3.6 Considerable work is also underway on drafting and agreeing the various legal documents needed in order to form the Brunel Company.

4. Consultations undertaken

None

5. Financial Implications

- 5.1 Over time the performance of the pension fund investments will impact the amount that the County Council and other sponsoring employers have to pay into the fund to meet their liabilities. The fund actuary calculates these amounts every three years and sets payments for the intervening periods.

6. Background Papers

None

Note For sight of individual background papers please contact the report author.

Review of Pension Fund Risk Register

Lead Officer: Kevin Nacey: Director of Finance and Performance

Author: Anton Sweet: Funds and Investments Manager

Contact Details: (01823) 359584
asweet@somerset.gov.uk

Executive Portfolio Holder: Not applicable

Division and Local Not applicable

Member:

1. Summary

- 1.1 The Pension Board have requested that a review of the risk register is a standing item on the agenda for each meeting.

2. Issues for consideration

- 2.1 The Board is asked to consider and comment on this report.

3. Changes since last meeting

- 3.1 There have been no changes to the risk register since the last meeting of the Board.

4. Background

- 4.1 Risk management is central to the management of the Pension Fund as reflected by the coverage of risk in key documents such as the Funding Strategy Statement and the Statement of Investment Principals. The risk register allows for consideration of all of the fund's risks in a single document.
- 4.2 Guidance issued by CIPFA on the application of the Myner's Principles in the LGPS in 2010 indicated that the creation and adoption by Pensions Committees of a risk register was best practice.

- 4.3 Following on from CIPFA's guidance the Pensions Committee has indicated that it wishes to adopt a risk register. The Pensions Committee have agreed that rather than have a static register that is reviewed periodically that the register should be discussed at every meeting and changes agreed and implemented as necessary.
- 4.4 The current risk register is attached as appendix A and has been prepared using the Somerset County Council risk framework and scoring methodology

5. Consultations undertaken

None

6. Financial Implications

- 6.1 No direct implications

7. Background Papers

None

Note For sight of individual background papers please contact the report author.

Somerset County Council Pension Fund Risk Register - March 2017

1. Risk Ref No: 2. Senior Risk Owner:	Description of Risk	Control measures already in place	Current Risk Score (with known controls in place)		Combined score	Additional mitigating actions/control measures planned to achieve target score	Target Risk score		combined score	Additional Control measure owner	Target Date	commentary following review, inc. date	Additional Information and explanation
			L	I			L	I					
1. PF1 2. Anton Sweet	The pension fund has insufficient available cash to meet its immediate (next 6 months) liabilities.	Cash flow forecasting of TM function. Monthly review of asset allocation and cash levels	2	4	8		2	4	8		on-going with quarterly review		
1. PF2 2. Pensions Committee Page 19	The pension fund has insufficient available assets to meet its long term liabilities.	Funding Strategy Statement Statement of investment principles	3	5	15	The triennial valuation includes provision for restoring the fund to full funding over 25 years The current risk score partly reflects that the fund was 75% funded at the last valuation. An improvement in the funding level will reduce the likelihood of the risk occurring at some point in the future	2	5	10		Review again at next Valuation - 2016		This risk encapsulates the purpose of the fund in trying to always have sufficient assets to meet uncertain future liabilities with a pool of assets with uncertain future investment performance. There is also the need to balance the funding needs of the fund with the desire to keep contributions as low and constant as possible.
1. PF3 2. Stephen Morton	The insolvency of an employer places additional liabilities on the fund and ultimately the remaining employers.	Admission agreements Guarantee bonds	3	3	9	Ensure the on-going suitability of the guarantees in place with a review after each formal valuation Review of actuarial results to consider employer specific funding ratios and employer 'Hot Spots'	2	2	4	Stephen Morton	2016 Review again at next Valuation - 2016		Hot Spots' refers to employers whose benefits in payment exceed their contributions in a given period. Review of employer positions and guarantee bonds planned for 2017
1. PF4 2. Kevin Nacey	Vulnerability to long-term staff sickness and staff turn-over, especially for higher graded posts.	None, other than experience of other staff within the sections	3	3	9		2	3	6		on-going with quarterly review	Updated to include positive impact of pooling September 2016	Shared service with Devon makes this less of an issue with respect to benefits administration staff. The move to pooling of investments should make the fund less reliant on a small number

Somerset County Council Pension Fund Risk Register - March 2017

1. Risk Ref No: 2. Senior Risk Owner:	Description of Risk	Control measures already in place	Current Risk Score (with known controls in place)		Combined score	Additional mitigating actions/control measures planned to achieve target score	Target Risk score		combined score	Additional Control measure owner	Target Date	commentary following review, inc. date	Additional Information and explanation
			L	I			L	I					
1. PF5 2. Kevin Nacey	Reliance on bespoke IT, which is exacerbated by a lack of experience of these bespoke systems within SouthWest One IT support	As IT systems are refreshed or replaced build in support mechanisms	3	4	12		2	3	6		on-going with quarterly review		Shared service with Devon makes this less of an issue with respect to benefits administration IT
1. PF6 2. Pensions Committee	Risk of Regulatory change: - Implementation of change risks - Consequences of change risks	Continuous engagement with CLG and other interested stakeholders	4	4	16		2	3	6		on-going with quarterly review		The dictated change to pooling of investment arrangements and implementation of this presents a significant risk to the scheme.
1. PF7 2. Stephen Morton	Failure of Benefits Administration to perform their tasks, specifically leading to incorrect or untimely benefits payment.	Internal audit coverage Annual report to committee with feedback from stakeholders Internal procedures and checks	3	3	9		2	3	6		on-going with quarterly review		Long term the greater size of the shared service should see the likelihood of this risk reduce once the implementation phase is completed
1. PF8 2. Pensions Committee	Failure of Pensions Committee to manage the fund effectively	Policies and procedures adopted by pensions committee, specifically the committee training policy	2	4	8		2	4	8		on-going with quarterly review		
1. PF9 2. Anton Sweet	Insolvency of the fund's Global Custodian	Fund's assets held in client accounts not as assets of the custodian	2	4	8		2	4	8		on-going with		The designation of the fund's assets as client assets ensures that they cannot be appropriated by creditors of the Custodian bank in the case of that entity going into administration.

Somerset County Council Pension Fund Risk Register - March 2017

1. Risk Ref No: 2. Senior Risk Owner:	Description of Risk	Control measures already in place	Current Risk Score (with known controls in place)		Combined score	Additional mitigating actions/control measures planned to achieve target score	Target Risk score		combined score	Additional Control measure owner	Target Date	commentary following review, inc. date	Additional Information and explanation
			L	I			L	I					
		Review of credit worthiness and inherent business risk of custodian at tender phase									quarterly review		As a result we should be able to recover substantially all of the assets of the fund held in custody but there would be considerable administrative and liquidity disruption

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Review of Administration Performance

Lead Officer: Kevin Nacey: Director of Finance and Performance

Author: Charlotte Thompson: Head of Peninsula Pensions

Contact Details: (01392) 383000
charlotte.thompson@devon.gov.uk

Executive Portfolio Holder: Not applicable

Division and Local Not applicable

Member:

1. Summary

- 1.1 The Pensions Board has requested a bi-annual update on the performance of Peninsula Pensions, the shared service that provides benefits administration to the Somerset and Devon Pension Funds.

2. Issues for consideration

- 2.1 The Board is asked to consider and comment on this update report.

3. Background

- 3.1 In February 2014 the shared service began in earnest when staff moved into one main office, using one database with staff learning new skills and many took on new roles.
- 3.2 The LGPS changed on 1 April 2014 and brought with it its own challenges, not helped with the late regulation changes which impacted on the development of the pension database.
- 3.3 Our main service standard is to complete 90% of work within 10 working days once all necessary information has been received. This is monitored every month through our task management system (TMS), which is an in-house performance tool within our pension database.
- 3.4 We also participate in the CIPFA Benchmarking Club which provides a yearly comparison of performance with other LGPS administration services. Approximately 50 LGPS Funds take part each year.

4. Team performance

- 4.1 As a whole the Team for 2014/15 issued 88% of work within target, though backlogs of work in some areas were building up. In 2015/16 the team issued 71% of work within target seeing a reduction; however, there was a backlog of 11,000 Deferred Benefit calculations which were cleared during this period.
- 4.2 Performance to date for the whole team for 2016/17 is 76%. All processes bar 4 (Divorce, Non Priority General work, Transfers in and out) show an improvement on last year.
- 4.3 The table in Annexe A shows performance relating to the Somerset Fund only for this financial year.

5. CIPFA benchmarking

- 5.1 Data is collected annually in various areas including membership analysis, employer analysis, quotations and charges, costs and administration performance.
- 5.2 This enables informed comparisons to be made of the net cost per member, payroll cost per pensioner, number of members per admin FTE and also highlights differences of approach.
- 5.3 In December 2016 we received the draft report for 2015/16 year. The key performance indicator that we obtain from this report is the cost per member. This year it has come out at £16.37 compared to the average of £18.55.
- 5.4 Our CIPFA performance results for 2015/16 were in some categories, below the benchmarking average this year. Outstanding PB's are also above the average, we had 2.8% at March 2016 compared to the average of 1.8%.

Process	Target	Our achievement	Average
Transfer in	10 days	76.0%	88.1%
Transfer out	10 days	83.3%	91.0%
Letter notifying actual retirement benefits	5 days	86.4%	89.9%
Letter notifying estimated retirement benefits	10 days	93.0%	86.5%
Letter acknowledging death	5 days	100%	97.1%
Refunds	5 days	93.2%	92.3%
Letter notifying dependants benefits	5 days	82.0%	86.3%
Deferred	10 days	39.1%	62.0%

6. Actions implemented

- 6.1 Additional team resource approved in Autumn 2015 has been extended until 31st August 2017 at which time we expect both preserved benefits and amalgamations to be at a manageable level. We also increased the team by 2 permanent members of staff in December 2016 to work across the benefit teams. This is proving positive with an improvement in January with retirements being dealt with within target increasing to 74%.
- 6.2 A Performance review is currently under way to look at how we work, with a main aim to streamline processes without affecting quality of work. Part of the review will also be looking at employers/payroll providers and the quality of data they provide to us.

7. Conclusions

- 7.1 We are working towards improving our performance this year, keeping a close eye on the changes we have made to ensure a positive long term outcome for the team and stakeholders.

8. Consultations undertaken

None

9. Financial Implications

None

10. Background Papers

None

Note For sight of individual background papers please contact the report author.

Annexe A**Summary of completed work April 2016 to January 2017**

	Within Target	Over Target	Total	Success Rate
Priority Procedures	1384	485	1869	74%
Non-Priority Procedures	6583	2524	9107	71%
Priority	Within Target	Over Target	Total	Success Rate
Death	156	62	218	72%
Employer Estimates	247	29	276	89%
Priority General	562	69	631	89%
LGPS Retirements	196	230	426	46%
Deferred Benefit retirements	219	95	314	70%
	1384	485	1869	74%
Non-Priority	Within Target	Over Target	Total	Success Rate
Amalgamation of records	170	110	280	61%
Additional Voluntary Contribution calculations	311	126	437	71%
Deferred Benefit calculations (including recalculations)	635	709	1344	47%
Divorce calculations	90	7	97	93%
Frozen Refunds	362	53	415	87%
Non Priority General work	3689	997	4686	79%
Payroll	579	13	592	98%
Actual Refunds	133	10	143	93%
Retirement estimates (includes member and other estimates)	484	297	781	61%
Starters	35	2	37	95%
Transfer Values In	25	112	137	18%
Transfer Values Out	69	88	157	44%
	6583	2524	9107	71%

Outstanding Work

Priority

	Total	Reply due	Outstanding
Death	1	0	1
Employer Estimates	0	0	0
Priority General post	6	3	3
Deferred Benefit retirements	19	0	19
LGPS Retirements	15	8	7
	41	11	30

Non Priority

	Total	Reply due	Outstanding
Additional Voluntary Contribution calculations	28	15	13
Amalgamation of records	2446	222	2224
Deferred Benefit calculations(including recalculations)	898	66	832
Divorce calculations			
Non Priority General post	804	32	772
Payroll adjustments	7		7
Actual Refunds	1	1	0
Frozen Refunds	201	10	191
Retirement estimates (includes member and other estimates)	35	8	27
New Starters			
Transfer Values In	14	7	7
Transfer Values Out	89	11	78
	4523	372	4151

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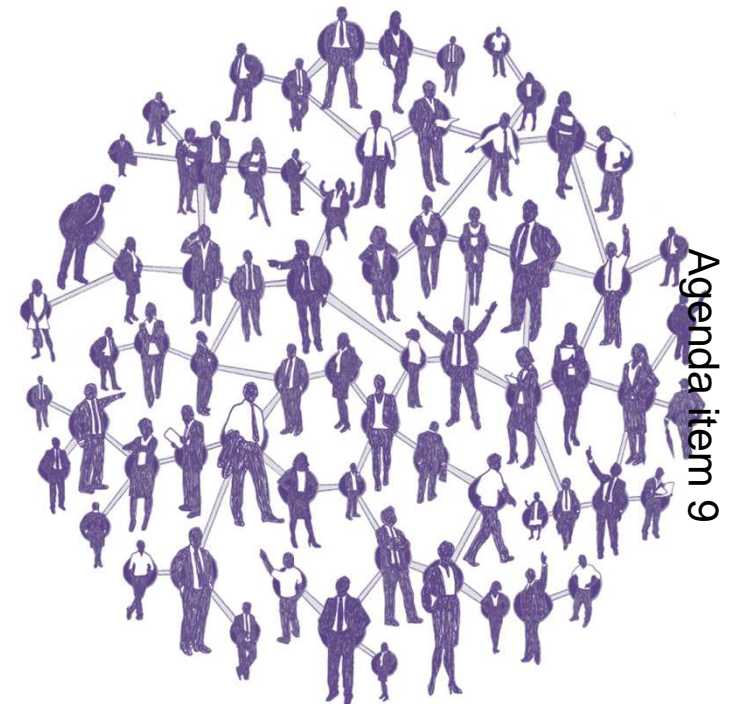
The Audit Plan for Somerset Pension Fund

Year ended 31 March 2017
8 March 2017

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Somerset Pension Fund
County Hall
Taunton, Somerset
TA1 4DY

8 March 2017

Dear Members of the Pensions Board

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Audit Plan for Somerset Pension Fund for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Somerset Pension Fund, the Pensions Board), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to give an opinion on the Fund's financial statements.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours sincerely

Peter Barber

Engagement Lead

Chartered Accountants

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Understanding your business and key developments

Developments

Investment Regulations

The new investment regulations came into force on 1 November 2016 and require administering authorities to publish new Investment Strategy Statements by 1st April 2017. The statement must be in accordance with guidance issued by the Secretary of State and include a variety of information. This will include the authority's assessment of the suitability of particular investments and types of investments, the authority's approach to risk, including the ways in which risks are to be measured and managed and the authority's approach to pooling investments, including the use of collective investment vehicles and shared services. These regulations also provide the Secretary of State with the power to intervene in the investment function of a fund if he/she is satisfied that the authority is failing to act in accordance with the regulations.

Triennial actuarial valuation of the fund

The results of the triennial review have now been reported. Overall the funding level has slightly improved from the date of the last valuation. Members will need to consider the outcome of this review and the impact this will have on the fund in future investment decisions.

Local developments

The Board is continuing work on the implementation of the Fund's approach to the Government's pooling agenda.

Key challenges

Pooling Governance

Arrangements for pooling of investments continue to develop, with DCLG expecting administering authorities to be transferring liquid assets from April 2018. The structure and governance of these arrangements will need to be implemented before this date. These arrangements are likely to have a significant impact on how the investments are managed, who makes decisions and how investment activities are actioned and monitored. Although much of this operational responsibility will move to the investment pool operator, it is key that administering authorities (through Pension Committees and Pension Boards) continue to operate strong governance arrangements, particularly during the transition phase where funds are likely to have a mix of investment management arrangements.

Local progress

The Council is one of ten partners developing a newly established pooling arrangement, the Brunel Pension Partnership. We have held discussions with officers to ensure it's arrangements are robust.

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

The main change to the Code for Pension Funds is the extension of the fair value disclosures required under the Code from 2016/17.

The greatest impact is expected to be for those Funds holding directly owned property and/or shares and Level 3 investments. These are reflected in CIPFA's pension fund example accounts alongside further changes including an analysis of Investment Management expenses in line with CIPFA's Local Government Pension Scheme Management Costs guidance, a realignment of investment classifications, and an additional disclosure note covering remuneration of key management personnel which has been included in related party transactions.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year. This will impact not only upon the production of the Fund accounts but also on earlier requests for information from employers within the Fund.

Local progress

We have discussed the requirements of the Code with Council officers, who have plans in place to deal with the new disclosure requirements. The Council successfully prepared its Pension Fund financial statements by the earlier deadline in 2015/16 and plans to do so again this year.

Our response

- We will discuss with you your progress in implementing the requirements of the new investment regulations, highlighting any areas of good practice or concern which we have identified.
- We will discuss your progress in implementing revised governance structures, and share our experiences gained nationally.
- We aim to complete all our substantive audit work of your financial statements by 30th June 2017.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the changes in the 2016/17 Code

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Fund. In line with previous years, we have calculated financial statements materiality based on a proportion of net assets for the Fund. For purposes of planning the audit we have determined overall materiality to be £15.980 million (being 1% of net assets). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £0.799 million.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
Management expenses	Due to public interest in these disclosures.	£160k being 1% of materiality

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Somerset Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Somerset Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for Somerset Pension Fund.
Management override of controls	Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	Work to be completed: <ul style="list-style-type: none"> • Review accounting estimates, judgments and decisions made by management • Test journal entries (large and unusual) • Review unusual significant transactions

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"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
The expenditure cycle includes fraudulent transactions	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered.	We have considered this risk and do not consider it to require additional audit procedures. We do not consider this to be a risk to the audit as our experience is that expenditure is well controlled and monitored.
Level 3 Investments Valuation is incorrect	Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	Further work planned: <ul style="list-style-type: none"> • Update our understanding and discuss the cycle with relevant personnel from the team during the final accounts audit. • Perform walkthrough tests of the controls identified in the cycle. • For a sample of investments, test valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31 March with reference to known movements in the intervening period. • Review the qualifications of the fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached. • Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments. • Review the competence, expertise and objectivity of any management experts used.

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Investment values – Level 2	Valuation is incorrect (Valuation net)	<p>Work completed to date:</p> <ul style="list-style-type: none"> Walkthrough testing of the investment system to confirm processes and controls are operating satisfactorily. <p>Further work planned:</p> <ul style="list-style-type: none"> Test a sample of investment income to ensure it is appropriate Complete a predictive analytical review for different types of investments
Contributions	Recorded contributions not correct (Occurrence)	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have reviewed the internal financial controls relating to contributions and performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. Controls testing over occurrence, completeness and accuracy of contributions. <p>Further work planned:</p> <ul style="list-style-type: none"> Complete an analytical review and rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.

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Other risks identified (continued)

Reasonably possible risks	Description of risk	Audit procedures
<p>Benefits payable</p>	<p>Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have reviewed the internal financial controls relating to benefits payable and performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. Controls testing over, completeness, accuracy and occurrence of benefit payments. Test a sample of individual pensions in payment by reference to member files (to month 10). <p>Further work planned:</p> <ul style="list-style-type: none"> Test a sample of individual pensions in payment by reference to member files (months 11 and 12). Complete an analytical review and rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.
<p>Member Data</p>	<p>Member data not correct. (Rights and Obligations)</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have reviewed the internal financial controls relating to member data and performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. Controls testing over annual/monthly reconciliations and verifications with individual members. Sample testing of changes to member data made during the year to source documentation (to month 10). <p>Further work planned:</p> <ul style="list-style-type: none"> Sample testing of changes to member data made during the year to source documentation (months 11 and 12).

Other risks identified (continued)

Reasonably possible risks	Description of risk	Audit procedures
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy and occurrence)	Work completed to date: <ul style="list-style-type: none"> We have reviewed the internal financial controls relating to benefits payable and performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. Controls testing over, completeness, accuracy and occurrence of benefit payments. Test a sample of individual pensions in payment by reference to member files (to month 10). Further work planned: <ul style="list-style-type: none"> Test a sample of individual pensions in payment by reference to member files (months 11 and 12). Complete an analytical review and rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.
Other risks	Description of risk	Audit procedures
Change in supplier of SAP system	There is a change of supplier for the ledger system SAP in 16/17 – changeover with effect from 20 January 2017.	<ul style="list-style-type: none"> Further work planned: We will need to review and evaluate the controls in place for this changeover to ensure that the data transfer was complete and accurate. We will need go gain assurance over the accuracy and objectivity of data migration.

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"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

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- Administrative / Management Expenses
- Investment Income
- Profit and Loss on Disposal of Investments and Changes in Market Value of Investments
- Cash at Bank
- Investments – level 1 investments (as level 2 and 3 are covered above)
- Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits
- Financial Instruments

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements.</p> <p>We have also reviewed internal audit's work on the Fund's key financial systems to date.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Fund and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has not identified any material weaknesses which are likely to adversely impact on the Fund's financial statements.</p>

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Results of interim audit work (continued)

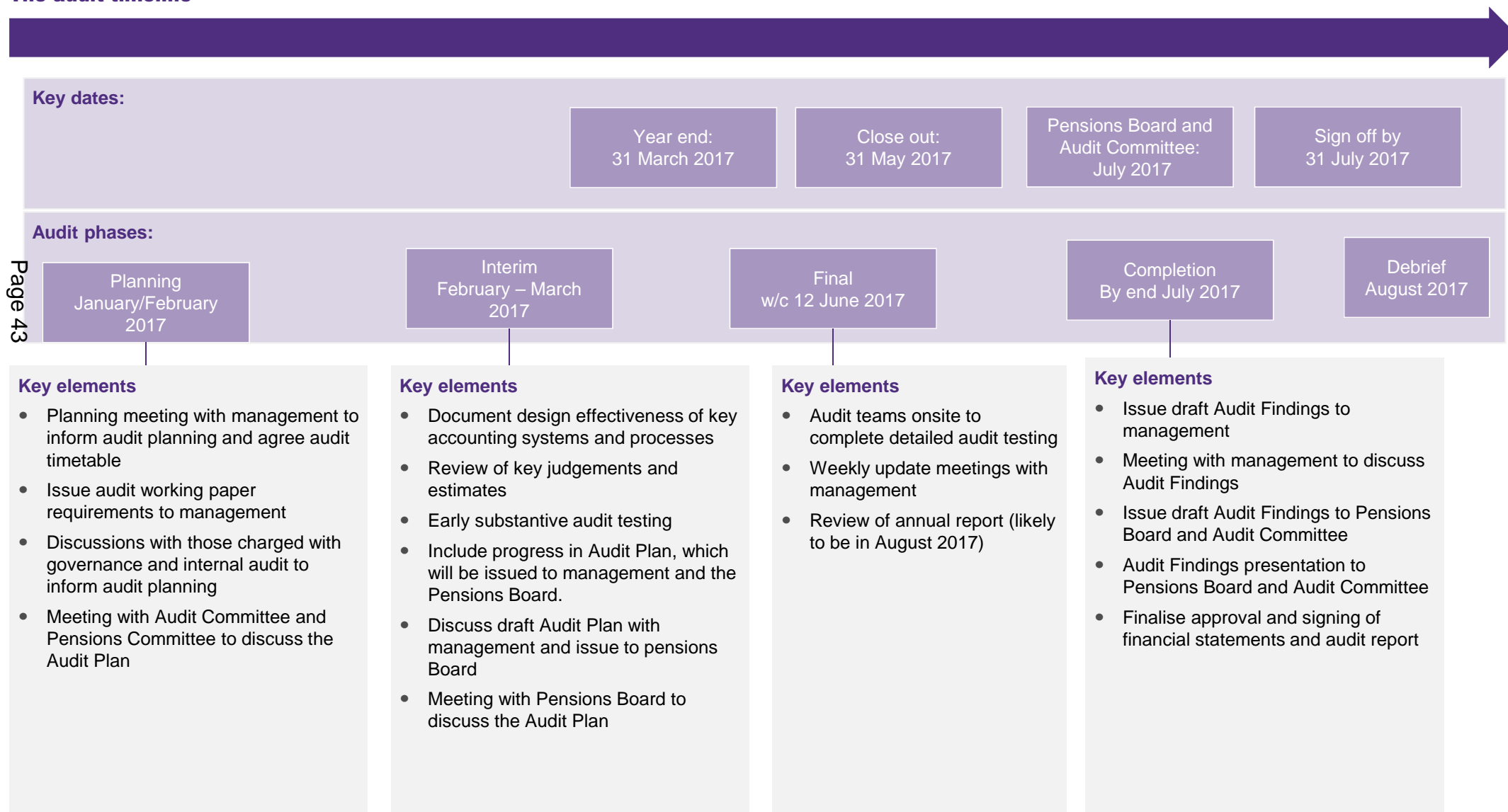
	Work performed	Conclusion
Walkthrough testing	<p>We have completed walkthrough tests of the Fund's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements, for example:</p> <ul style="list-style-type: none"> - Investments - Scheme contributions - Member data - Benefit payments 	<p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Fund in accordance with our documented understanding.</p>
Controls testing	<p>We performed testing of the operating effectiveness of key controls on those information systems where we had identified a reasonably possible risk of material misstatement to gain assurance about this and to reduce the amount of substantive testing performed on the financial statements. We tested:</p> <ul style="list-style-type: none"> • Contributions – we reviewed the monthly controls over contributions receipts versus expected amounts and the monthly bank reconciliation controls. • Benefits payable – we reviewed monthly controls over payroll transfers and the bank reconciliations and the individual controls over new benefit payments. • Member data – we reviewed the accuracy of membership data through reviewing monthly validation reports and the annual review of membership information. 	<p>Our work identified that the key controls tested on contributions, benefits payable and member data systems were operating effectively and we are able to reduce the amount of substantive testing on these areas as a result.</p>

Results of interim audit work (continued)

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Administering Authority's (Somerset CC) journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Pension Fund's control environment or financial statements.</p> <p>However, we have found that journal polices do not require journals input to be authorised by a second person.</p>	<p>As in prior years there is no requirement for journal inputs to be authorised by a second person as reported in the 2015/16 Audit Findings Report. Although no material issues have been noted and the Council consider that appropriate mitigating controls are in place to address this issue we will continue to report this matter through our reports to those charged with governance (Appendix 1).</p>
Early substantive testing	<p>We have completed early substantive testing in a number of areas to reduce the year end workload and to provide earlier assurances for our final accounts planning.</p> <p>We have performed testing of months 1 to 10 transactions in the following areas:</p> <ul style="list-style-type: none"> • Benefits payable – we tested a sample of individual pensions in payment by reference to member files. • Member data – we tested a sample of changes to member data made during the year to source documentation. <p>We have also discussed a number of areas with officers including the new Code disclosure requirements.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p> <p>We plan to undertake detailed testing on transactions recorded for the remaining months of the financial year during the accounts audit.</p>

The audit cycle

The audit timeline



Audit Fees

Fees	
Total audit fees (excluding VAT)	£23,859

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Fund and its activities, have not changed significantly
- The Fund will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Independence and non-audit services

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we disclose the following to you:

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Fees for other services

We have not undertaken any additional services for Somerset Pension Fund in 2016/17, but should this change we will report this to you through our update reports and/or Audit Findings Report.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Fund.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendix 1: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Authorisation of Journals To reduce the risk of material error from journal adjustments made in the general ledger, we recommend that the Council includes in its journal policy the requirement that all journals should be authorised by a second person.	Medium		



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Proposed Dates For Future Board Meetings

Lead Officer: Kevin Nacey: Director of Finance and Performance

Author: Anton Sweet: Funds and Investments Manager

Contact Details: (01823) 356854
asweet@somerset.gov.uk

Executive Portfolio Holder: Not applicable

Division and Local Not applicable

Member:

1. Summary

- 1.1 It is customary to agree meeting dates for the following calendar year at the March meeting annually. Officers believe that this course aids all stakeholders to ensure the dates are kept clear and therefore propose to continue with these arrangements.

2. Issues for consideration

- 2.1 The Board is asked to approve the following proposed dates for 2017:-
- Thursday 15th March 2018 at 10.00 am at County Hall, Taunton
 - Tuesday 24th July 2018 at 10.00 am at County Hall, Taunton
 - Annual Meeting, Morning of Friday 21st September 2018, arrangements TBC
 - Thursday 27th September 2018 at 10.00 am at County Hall, Taunton
 - Thursday 20th December 2018 at 10.00 am at County Hall, Taunton

3. Background

- 3.1 The Board is expected to meet at least quarterly.

4. Consultations undertaken

None

5. Financial Implications

- 5.1 None

6. Background Papers

None

Note For sight of individual background papers please contact the report author.

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