**Pension Fund Committee**

Meeting to be held on 7 June 2013

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| Electoral Division affected:  All |

**External Audit**

**Lancashire County Pension Fund Annual Audit Plans 2012/13**

Contact for further information:

Karen Murray, 0161 234 6364, Director, Grant Thornton

[karen.l.murray@uk.gt.com](mailto:karen.l.murray@uk.gt.com)

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| Executive SummaryThe Annual Audit Plan sets out the nature and scope of work that the Authority's external auditor will carry out to discharge its statutory responsibilities, compliant with the Audit Commission Act 1998 (the Act) and the Code of Audit Practice for Local Government. This audit plan is specific to the financial year 2012/13 and sets out in broad terms the programme of work required to:   * give a financial opinion on whether the financial statements: * give a true and fair view of the financial position of the Pension Fund as at 31 March 2013 and of its expenditure and income for the year then ended; and * have been prepared in accordance with proper accounting practice.   The Audit Plan, setting out the process that underpin the audit is at Appendix A.  The Plan was reported to the Council's Audit and Governance Committee on 24 March 2013.  **Recommendation**  The Committee is asked to note the External Audit plan for the audit of the County Pension Fund for 2012/13, and the fees therein. |

**Background and Advice**

Attached at Appendix ‘A’ is the external auditor's Annual Audit Plan for the audit of the Lancashire County Pension Fund. The plan sets out the main risk areas which the audit will focus on. These are:

* the appointment of 5 new fund managers and transfer of investments to them to use in new global equities portfolios;
* increasing complexity of the internally managed portfolio;
* widening of the company vehicle used to make infrastructure investments;
* work undertaken to investigate and resolve the unexplained imbalance on the pension fund bank reconciliation last year; and
* the three key elements of the fund accounts being investments, contributions and benefits payable.

The fee for the audit of the pension fund has been set at £41,505. This is £7,336 higher than the scale fee of £34,169 set by the Audit Commission as notified to you in the external auditor's letter of 16/12/2012. The external auditor considers that the changes in the investment portfolio of the pension fund resulting in the transfer of significant funds between fund managers, an increase in the overall number of managers and the increasing complexity of the financial instruments involved have given rise to additional risks which require additional audit work. The revised fee is £25,495 (38%) less than the audit fee in the previous year of £67,000.

(Note: The scale fee set by the Audit Commission for pension fund audits is based on a formula linked to the size of the net assets of the fund and has no specific risk factors linked to it).

Karen Murray, Engagement Lead, will attend the meeting to present the report and answer any questions.

# Consultations

The report has been agreed with the County Treasurer.

**Implications**

This item has the following implications, as indicated:

**Risk management**

No significant risks have been identified.

##### Local Government (Access to Information) Act 1985

##### List of Background Papers

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| Paper | Date | Contact/Directorate/Tel |

N/A