# EXTERNAL AUDITOR UPDATE ON THE 2021/22 PENSION FUND ACCOUNTS AND ANNUAL REPORT

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| Committee | Pensions Committee |
| Officer Reporting | James Lake, Finance |
| Papers with this report | EY: Pension Fund Update<br>Pension Fund Accounts 2021/22<br>Pension Fund Annual Report 2021/22 |

## HEADLINES

The draft Pension Fund Accounts for 2021/22, as taken from the Councils financial statements are attached to this report for Committee review, prior to the Councils Financial statements sign off at Audit Committee.

The attached update details the progress of the external auditor, EY, on the audit of the 2021/22 Pension Fund Accounts against the key risks.

It should be noted that an aspirational target of the 28 September 2022 was proposed to complete the audit of the accounts. This was an ambitious deadline, being two months ahead of the statutory deadline of the 30 November 2022.

At the time of writing this report the audit is materially complete, albeit subject to final reviews. Furthermore, as the Pension Fund forms part of the Council's accounts, which are not complete, a final results report has not been issued.

The draft Pension Fund Annual Report for 2021/22 is attached to this report for Committee approval. As part of the audit process the extremal auditor will also verify the consistency of the Annual Report with the Annual Accounts. Although this is not due until December of each year, we aim to align this piece of work with the annual accounts sign-off.

## RECOMMENDATIONS

**It is recommended that Pensions Committee:**

1. **Note EY's update on the audit of the Pension Fund accounts for 2021/22.**
2. **Approve the 2021/22 Fund Annual Report for publication**

## SUPPORTING INFORMATION

The Council as an administering authority under the Local Government Pension Scheme Regulations is required to produce a separate set of accounts for the scheme's financial activities including its assets and liabilities.

The contents and format of the accounts are determined by statutory requirements and mandatory professional standards as established by the Chartered Institute of Public Finance & Accountancy (CIPFA) in their Code of Practice (The Code).

The Pension Fund Accounts were subject to a separate audit by the Council's external auditors, EY LLP. Whilst the Audit Committee formally approves the Council's Statements of Accounts, which incorporates the Pension Fund Accounts, the Pensions Committee reviews them first. The Pension Fund Accounts also make up part of the Pension Fund Annual report, which is also brought to Pension Committee for formal approval. The Audit report on the Pension Fund accounts will be taken to Audit Committee on the next available meeting following completion of the audit.

## SCOPE OF THE EXTERNAL AUDIT

Auditors are required to communicate to elected Members matters of governance that arise from the audit of the financial statements.

- Misstatement fraud or error
- Misstatement of investment amounts
- Valuation of unquoted investments
- IAS26 Actuarial present value of promised retirement benefits
- Disclosure on 'Going Concern'

In addition, the auditor requires a "Management Representation Letter" to be signed by management, outlined in their report. The letter includes representations on matters material to the statement of accounts, where sufficient evidence cannot reasonably be expected to exist.

## FINDINGS

At the time of reporting, there were no corrected material misstatements over the planned materiality threshold of £11.6m. In addition, there and no uncorrected misstatements to report over the planned reporting threshold of £0.6m.

## ANNUAL REPORT

The Pension Fund is required to produce an Annual Report and publish by 1 December each year. The annual report includes the Pension Fund annual accounts which are reviewed by Pensions Committee and are to be formally approved at Audit Committee.

In 2019 CIPFA published guidance "preparing the annual report" to assist funds in producing the annual report in line with the current regulatory framework. The guidance has been adopted by MHCLG as statutory guidance.

The report is awaiting an external audit report which is expected to confirm that it is consistent with the audited annual accounts and guidance. The draft report for 2021/22, attached, contains information on the Fund's activities over the last year. The report has

been brought to Committee for consideration and approval to publish prior to the December statutory deadline, subject to audit sign off on consistency.

For the purposes of this report the policies for inclusion in the Annual report which were approved at previous Pensions Committees have been removed. The final version published on the Pension Fund website will include these policies in full. The policies are published individually

**FINANCIAL IMPLICATIONS**

EY remain in consultation with the PSAA regarding the proposed increase in scale fees. The basic scale fee for the 2021/22 audit is £16,170, Proposed increase in scale fees and variation fees are yet to be agreed.

**LEGAL IMPLICATIONS**

The legal implications are mentioned within the report.