

## 2021/22 EXTERNAL AUDIT UPDATE

Committee	Pensions Committee
Officer Reporting	James Lake, Finance
Papers with this report	EY: Pension Fund Draft Audit Results Report, year ended 31 March 2022 Pension Fund Accounts 2021/22

### HEADLINES

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

The attached draft report details the work of the external auditor, EY, on the audit of the 2021/22 Pension Fund Accounts. At the time of writing this report there is one outstanding audit task. This is a national issue relating to IAS19 pension valuations which links to the Pension Fund IAS26 disclosure. Other than this item, the report shows an expected unmodified audit opinion.

### RECOMMENDATIONS

**It is recommended that the Pensions Committee note the draft Audit Results Report for the 2021/22 Pension Fund accounts.**

### 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 are subject to a separate audit by the Council's external auditors, EY LLP. Whilst the Audit Committee formally approve the Council's Statements of Accounts, which incorporates the Pension Fund Accounts, best practice allows Pensions Committee to also review the results.

### 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
- Valuation of complex investments
- Disclosure on 'Going Concern'
- IAS26 Disclosure

Classification: Public

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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. Once the national issue relating to IAS19 is resolved and the final Audit Results Report is completed this will be prepared and signed by the S151 Officer.

## **FINDINGS**

The change of Pension Administrator in 2021 necessitated a realignment of pensioner payroll dates from the 15<sup>th</sup> of the month to the final day. This realignment added an additional ½ month of payments to pensioners totalling c£1.8m and covered 54 weeks instead of the normal 52 weeks pension payments. EY note the additional £1.8m payment value.

All investments are allocated a fair value classification to ascertain a level of pricing certainty. This is based on observable inputs to which there is a level of interpretation and subjectivity. This was discussed throughout the audit process with reclassifications being agreed with EY.

There is an outstanding legal dispute (Goodwin case) which is likely to affect the net present value of pensions due. As this is immaterial to the Fund and a final resolution is still to be agreed, the actuary has not made an allowance in the IAS26 disclosure. This is noted by EY.

At the time of reporting, there were no corrected material misstatements over the updated materiality threshold of £12.6m. In addition, there are no uncorrected misstatements to report over the updated reporting threshold of £0.6m.

## **FINANCIAL IMPLICATIONS**

EY remain in consultation with the PSAA regarding the proposed increase in scale fees. The basic scale fee for the 2020/21 audit is £16,170, with additional fees estimated at between £9,000 and £12,500 to cover areas of risk and specialists. Proposed increase in scale fees yet to be agreed is a further £28,290

## **LEGAL IMPLICATIONS**

The legal implications are mentioned within the report.