

Pension Fund Committee

Wednesday, 8 September 2021

Pension Fund External Auditor's Report

2019/20

For Decision

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

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Report Status: Public

Recommendation:

That the Committee review and comment on the report of the independent auditor for 2019/20.

Reason for Recommendation:

When the pension fund's annual report for 2019/20 was approved for publication by the Committee at its meeting 26 November 2020 it was noted that the report of the independent auditor regarding the financial statements included in the annual report had not been received, although no major findings were anticipated.

It was resolved (1) that the auditor's report be circulated to all Committee members when received, and (2) that the annual report is published as is, with a delegation to the Chairman and Vice-Chairman to approve the final version if no substantive matters are raised in the auditor's report.

The draft final report of the independent auditor has now been received, which states that they will be issuing an unqualified audit opinion on the financial statements of the pension fund for 2019/20 and does not identify any substantive matters.

1. Executive Summary

The draft final report of the independent auditor for 2019/20 is attached as Appendix 1 to this report and, for information, the pension fund's final accounts for 2019/20 are also attached as Appendix 2.

The auditor has not identified any substantive matters and intends to issue an unqualified audit opinion but has identified three findings and recommendations as set out on page 16 of the report. Officers have responded to each of these findings and recommendations as follows:

Membership reconciliations

The Fund runs a movements analysis report each year which shows the number of members moving from one status to another e.g. those retiring, transferring out etc. Running this report later in the closedown period, rather than on or as close to 31 March as recommended, gives a better reflection of the membership data as at 31 March each year. Employer end of year returns are submitted and processed after the year end so changes to retrospective membership would be picked up as part of this process.

The Fund's policy for accounting for undecided members within the year end accounts is to show them as a separate line in the analysis of membership numbers in the disclosure notes. The Fund always has a large number of undecided leavers, usually because of the large numbers of aggregation. These can be identified so that the members are accounted for by the actuary.

Non-compliance with SIP*

The Pension Fund Committee meet on a quarterly basis to discuss asset allocations and any re-balancing transactions that may be required. Advice is also provided by the Fund's independent investment adviser.

(*Local Government Pension Scheme funds are required to have an Investment Strategy Statement (ISS) not a Statement of Investment Principles (SIP) as is the case for most private sector schemes.)

McCloud disclosure

Although unlikely to be material, a provision for McCloud will be recorded once the exposure can be quantified to a reasonable degree of accuracy. The recommendation has been noted and the Fund will work with the actuary to provide an enhanced disclosure as and when further advice is published and additional steps to implement the remedy have taken place.

2. Financial Implications

The Local Government Pension Scheme (LGPS) is a national pension scheme administered locally. Dorset Council is the administering authority for the LGPS in Dorset which provides pensions and other benefits for employees of the Council, other councils and a range of other organisations within the county.

Administering authorities are required to maintain a pension fund for the payment of benefits to scheme members funded by contributions from scheme members and their employers, and from returns on contributions invested prior to benefits becoming payable. Administering authorities are required to produce annual financial statements for their pension fund, and those financial statements must be subject to external review by independent auditors.

3. Wellbeing and Health Implications

No wellbeing and health implications arising from this report have been identified.

4. Climate implications

No climate implications arising from this report have been identified.

5. Other Implications

No other implications arising from this report have been identified.

6. Risk Assessment

The report of the independent auditor identifies and responds to the significant audit risks faced by the pension fund.

7. Equalities Impact Assessment

There are no equalities implications arising from this report.

8. Appendices

Appendix 1: Independent Auditor's Report 2019/20

Appendix 2: Pension Fund Final Accounts 2019/20

9. Background Papers

Pension Fund Annual Report 2019-20 (November 2020)

Footnote:

Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.