

Pension Fund Committee

Thursday, 10 March 2022

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:

- i. review and comment on the final report of the independent auditor for 2019/20; and
- i. note the independent auditor's opinion that the Pension Fund financial statements in the Pension Fund Annual Report for 2019/20 are consistent with the full annual statement of accounts of Dorset Council for the year ended 31 March 2020.

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.

The draft report of the independent auditor was considered by the Pension Fund Committee at its meeting 8 September 2021 and the final report has now been received. This states that the auditor 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.

In addition, the independent auditor has provided his opinion that the financial statements in the Pension Fund Annual Report for 2019/20 are consistent with the full annual statement of accounts of Dorset Council for the year ended 31 March 2020.

1. Executive Summary

The final report of the independent auditor for 2019/20 is attached as Appendix 1 to this report. The independent auditor's opinion that the Pension Fund financial statements in the Pension Fund Annual Report for 2019/20 are consistent with the full annual statement of accounts of Dorset Council for the year ended 31 March 2020 is attached as Appendix 2.

The auditor has not identified any substantive matters and intends to issue an unqualified audit opinion. The auditor has identified three findings and recommendations as set out on pages 17-18 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 Investment Strategy Statement (ISS)

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.

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.

IT audit findings: Password settings

We no longer have the Altair system in place, we have moved to a new supplier, Civica, and we are now using the UPM software.

The parameters for users setting passwords on our new system are as follows;

- Must contain a capital and lower case, number and special symbol
- Minimum length is 8 characters
- Locked out after three attempts
- Passwords expire every three months

IT audit findings: User access rights

Managers email the Systems team to notify them of a new starter needing access to the system and they are assigned a security profile based on their job requirements.

Movers: All employees within the pensions administration section have access to our main systems, and if they change their role meaning a different level is required, this is requested by the manager.

The Systems team has control over system access rights, and they monitor this monthly in conjunction with the management team. Access controls have been agreed by the management team for each role in the section.

Since implementation of our new system, UPM, user access has been reviewed for each post in the section.

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 Annual Report consistency opinion 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.

