

Non-Executive Report of the: Pensions Committee Monday, 11 December 2023	 TOWER HAMLETS
Report of: Julie Lorraine Corporate Director, Resources	Classification: Open (Unrestricted)
Audited Pension Fund Accounts and Annual Report – 2018/19 and 2019/20	

Originating Officer(s)	Miriam Adams
Wards affected	(All Wards);

Executive Summary

The audited Statement of Accounts and Annual Reports for the London Borough of Tower Hamlets Pension Fund for the years ended 31 March 2019 and 2020 are attached as Appendices 1 and 2, in light of the Council's obligations as the administering authority under the Local Government Pension Scheme (LGPS) Regulations.

Recommendations:

The Pensions Committee is recommended to:

1. Note the audited accounts and final pension fund annual report for 2018/19 and 2019/20.

1. REASONS FOR THE DECISIONS

- 1.1 Deloitte audits both the Council and Pension Fund accounts and is required to present separate audit opinions on each.
- 1.2 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.
- 1.3 The accounts are based on transactions accounted for within the Fund's financial ledger, information received from Investment Managers and the Fund's Custodian, assumptions and estimations using the professional judgement of Fund professional advisers in order to give a true and fair statements of the Fund's financial position.

- 1.4 The content 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 publication of the Accounts is an essential feature of public accountability and stewardship as it provides information on how the Fund has used the members' funds for which it is responsible.
- 1.5 The Local Government Pension Scheme Regulations 2013, Regulation 53(2) states that 'An administering authority is responsible for managing and administering the Scheme in relation to any persons for which it is the appropriate administering authority under these Regulations'.
- 1.6 The publication of the Pension Fund Annual Report and Statement of Accounts helps to keep Fund members informed, shows good governance, and helps to demonstrate effective management of Fund assets.

2. ALTERNATIVE OPTIONS

- 2.1 There are no alternative options in so far as the publication of the Statement of Accounts and Annual Reports is concerned because it is a legislative requirement.

3. DETAILS OF THE REPORT

- 3.1 The Pension Fund Accounts are subject to a separate audit by the Council's external auditors, Deloitte. 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.
- 3.2 The Pension Fund accounts sets out the transactions of the Pension Fund for the year and its financial position. The accounts comprise two main statements with supporting notes.
- 3.3 The Fund's revenue account which comprises of dealing with Members, Employers and Others. These show the financial transactions relating to the administration of the fund; and

The Net Assets Statement which can be considered as the fund's balance sheet. These are transactions relating its role as an investor.

Scope of the External Audit

- 3.4 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'

- IAS126 Disclosure

3.5 In addition, the auditor requires a “Management Representation Letter” to be signed by management, outlined in their report. The letter includes representation matters material to the statement of accounts, where sufficient evidence cannot reasonably be expected to exist.
The final Audit Results Report is signed by the S151 Officer at completion of audit.

Audit Opinion

3.6 The 2018/19 and 2019/20 Pension Fund accounts and final audit reports was previously presented to Committee in November 2021 for approval with the expectation that final sign off would be achieved in January 2022. The report remains unchanged.

Historic pensioner member data issues arising from the IAS19 audit of the Council’s accounts have since led to a qualification of the Fund accounts.

3.7 On completion of the audit of the accounts, auditors must give their opinion on the financial statements of the Pension Fund, including:

- a.) whether they give a true and fair view of the financial position of the Pension Fund and the expenditure and income for the year in question; and
- b.) whether they have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority in the United Kingdom 2018/19 and 2019/20.

3.8 The auditor can issue a ‘qualified opinion’ where he has some reservations or concerns, or an ‘unqualified opinion’ where he does not have any such reservations.

3.9 In respect of 2018/19 accounts, the auditor has issued a qualified opinion because of errors were identified in a sample of membership data used to calculate the information provided by the council to the actuary for the purpose of the valuation of the present value of promised retirement benefits at 31 March 2019, some of which were also present at 31 March 2018.

The present value of promised retirement benefits was corrected for some, but not all of these errors. As a result of the volume of member records involved, the auditors were unable to determine whether any further adjustments to these amounts were necessary.

The auditors were unable to determine any adjustment to the comparative disclosure necessary, being the present value of promised retirement benefits at 31 March 2018.

The same qualification applies to 2019/20 pension fund accounts.

Audit Fees

- 3.10 The basic scale fee for the 2018/19 and 2019/20 audit is £16,000, with additional fees of £27,250 (2018/19) and £33,186 (2019/20) covering areas of risk and specialists.

4. EQUALITIES IMPLICATIONS

- 4.1 This report has no direct equalities implications.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

Risk Management Implications

- 5.2 Statement of accounts provide an effective mechanism to safeguard the Council's assets and assess the risk associated with its activities. There are no direct risk management impact arising from this report.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 The Council as Administering Authority has the responsibility of ensuring that the Pension Fund is administered effectively and arrangement for financial management are properly scrutinised. The Pension Fund Annual Account sets out the financial position of the Fund. It enables Members to manage and monitor the Scheme effectively.

7. COMMENTS OF LEGAL SERVICES

- 7.1 Part of the Council's duty as administering authority for the Tower Hamlets Pension Fund is to ensure that the annual accounts are properly audited, and the audit plan sets out how and when the audit will be conducted.
- 7.2 By virtue of section 20 of the Local Audit and Accountability Act 2014 ("the Act"), the auditor must be satisfied that the accounts comply with the requirements of the enactments that apply to them, and that proper practices have been

observed in the preparation of the statement of accounts, the statement of accounts presents a true and fair view and that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Pension Fund Accounts and Annual Report 2018/19
- Pension Fund Accounts and Annual Report 2019/20
- Deloitte Audit Report 2018-19
- Deloitte Audit Report 2019-20

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report.

List any background documents not already in the public domain including officer contact information.

- NONE

Officer contact details for documents:

Miriam Adams, Interim Head of Pensions & Treasury
Email: miriam.adams@towerhamlets.gov.uk