

Pension Fund Committee

8 December 2022

**Pension Fund Accounts for the year
ended 31 March 2022**

Ordinary Decision



Report of Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To present to Members the updated Pension Fund Accounts for the year ended 31 March 2022 .

Executive Summary

- 2 In compliance with statutory deadlines the draft (unaudited) statement of accounts for Durham County Council, which includes the Pension Fund accounts, for the financial year ended 31 March 2022, was authorised by the Responsible Financial Officer on 20 June 2022, published on the council's website on 23 June 2022 and approved by Audit Committee on 1 July 2022.
- 3 The approval process further sets out a target date rather than a statutory deadline which identifies that on or before 30 November 2022, approval needs to be given to the statement of accounts by resolution of the council's Audit Committee. This approval takes account of the views of the external auditor via its audit opinion.
- 4 Full audit opinion had not been given by 30 November. Members will recall from previous meetings that a technical accounting issue was highlighted by CIPFA which could potentially affect the approval dates for Local Authority accounts in relation to Infrastructure Assets
- 5 This issue remains unresolved, with CIPFA Local Authority Accounting Code Board (CIPFA LASAAC) having consulted with local authorities and auditors on proposals during November to

resolve this matter. Resolution confirmation is expected in early 2023.

- 6 National Audit Office audit requirements and group instructions for the Whole of Government Accounts returns (WGA) are also awaited at the date of writing this report.
- 7 As a result, updated statements for Durham County Council and its Pension Fund were considered at the Audit Committee meeting on 28 November 2022, where delegated authority for the approval of the Accounts to be undertaken by the Corporate Director of Resources (and Responsible Finance Officer) upon resolution and receipt of external audit opinion was approved.
- 8 The external auditor (Mazars LLP) has reviewed the draft Pension Fund statements and identified a number of amendments, which have been included in the statement of accounts and referenced in the Audit Completion Report presented today
- 9 The Audit Completion Report identifies that the external auditors work is substantially complete and there are no matters, currently which would require modification of the audit opinion, however full audit opinion and certification remains outstanding as a result of Infrastructure Assets and WGA resolution requirements remaining unresolved with the overall accounts
- 10 A `Delay in issuing the Auditor Opinion` notice was published on the council's website on 28 November 2022.
- 11 Whilst there is no statutory requirement to update the council's website with the council's updated statements, the Annual Report publication is required by 1 December 2022 (under LGPS Regulations (Reg 57)). The updated annual report and accounts of the Pension Fund 2021/22 were published in updated draft format on 30th November 2022.

Recommendation

- 12 It is recommended that Members note the status and contents of the Pension Fund's financial statements for the financial year ended 31 March 2022 which are included as Appendix 1.

Background

- 13 In England and Wales, the 'Code of Practice on Local Authority Accounting 2022/22' (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA) requires Pension Fund Accounts for the Local Government Pension Scheme (LGPS) to be included in the statement of accounts of every authority that administers a LGPS fund.
- 14 The county council, as administering authority, therefore includes the Pension Fund accounts in its 'Statement of Accounts'. The Pension Fund accounts are included as Appendix 1.
- 15 The Accounts and Audit (Amendment) Regulations 2022, which stipulate a two stage approval process for the statement of accounts, has again extended the statutory audit deadlines for 2021/22 for local authorities. The first statutory deadline requires that the responsible financial officer, by no later than 31 July, should sign and certify that the statement of accounts presents a true and fair view of:
 - a) the financial position of the council for the year to 31 March previous, and
 - b) its expenditure and income for the year to 31 March previous,subject to the views of the external auditor.
- 16 The second stage approval process considers a target date rather than a statutory deadline, and identifies that on or before 30 November 2022, approval needs to be given to the statement of accounts by resolution of the council's Audit Committee. This approval takes account of the views of the external auditors. Once approved, the statement of accounts must be formally published on the council's website.
- 17 The first stage was completed on 20 June 2022 and the draft accounts were presented to and approved by Members of the Audit Committee on 1 July 2022.
- 18 The second stage target deadline has not been achieved as full audit opinion and certification remains outstanding as a result of the national Infrastructure Assets issue and WGA resolution requirements remaining unresolved.

- 19 The updated statements for Durham County Council and its Pension Fund were considered at the Audit Committee meeting on 28 November 2022, where delegated authority for the approval of the Accounts to be undertaken by the Corporate Director of Resources (and Responsible Finance Officer) upon resolution and receipt of external audit opinion was approved.
- 20 The Annual Report and updated Accounts of the Pension Fund, for the year ended 31 March 2022 has been published on the council's website in draft format whilst awaiting resolution.
- 21 A summary of the Annual Report document was presented to Members and employer representatives at the Pension Fund Annual meeting held on 9 November 2022.

Accounting Requirements

- 22 The statement of accounts for the financial year 2021/22 has been prepared in accordance with the 'Accounts and Audit Regulations 2003', as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009, the 'Accounts and Audit (England) Regulations 2015, the Accounts and Audit (Amendment) Regulations 2022 and the 'Code of Practice on Local Authority Accounting 2021/22' (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 23 The Code is based on approved accounting standards in England and Wales and constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The council is therefore legally required to follow this Code. Explanatory notes are included in the document to assist in the interpretation of the accounts which are unavoidably technical and complex.
- 24 The Code confirms that the objective of pension fund accounts is to provide information about the financial resources and activities of the fund that might be useful in assessing the relationships between its benefit obligations and the accumulation of resources available to meet those obligations over time.
- 25 The Code requires that the following are included in the Pension Fund accounts:
 - a) a fund account - which shows the changes in net assets available for benefits;

- b) a net assets statement - showing the assets available at the year end to meet benefits; and
 - c) supporting notes to the accounts.
- 26 During the audit review of the draft statement of accounts a number of 'misstatements' were identified which have since been amended. These are listed in Section 6 of the Audit Completion Report considered earlier by members.
- 27 In addition, a number of changes have been made to the notes to the financial statements to assist the reader's understanding of the document, to correct errors and ensure compliance with the requirements of the Code.
- 28 A number of 'non material / unadjusted misstatements' were also identified. These are also listed in Section 6 of the Audit Completion Report. As the unadjusted misstatements do not materially affect the accuracy/ integrity of the statement of accounts, no adjustments have been made for these items.
- 19 Upon completion of the audit of the accounts, a "letter of representation" will be produced which will contain the reasons for not adjusting any items.

Key information from the Pension Fund Accounts

- 20 The Pension Fund accounts demonstrate that during 2021/22 net assets increased by £119.5 million to £3,600 million due to:
- a) net additions of 16.3 million resulting from the contributions from members and employers exceeding the benefits paid to pensioners the in year;
 - b) management expenses totalling £22.4 million; and
 - c) a net gain of £158.2 million on the Pension Fund's investments.

Audit Opinion

- 21 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 Accounting in the United Kingdom 2021/22.
- 22 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.
- 23 For 2021/22, the Audit Completion Report identifies that audit work is substantially complete and there are no matters, currently which would require modification of the audit opinion. However full audit opinion and certification as a result of Infrastructure Assets and WGA resolution requirements within the overall accounts for Durham County Council remains outstanding.

Background Papers

- a) Audit Committee – 28 November 2022 - Audit Completion Report 2021/22 - Pension Fund.
- b) Audit Committee – 28 November 2022 - Updated Statement of Accounts for the year ended 31 March 2022.

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