

# WEST NORTHAMPTONSHIRE COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE

Report Title	Pension Fund Annual Report and Statement of Accounts 2022-23
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### Contributors/Checkers/Approvers

West MO	Catherine Whitehead	13/11/2023
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### List of Appendices

#### Appendix A - Final Annual Report and Statement of Accounts 2022-23

#### Appendix B – Grant Thornton’s ISA260 Audit Results Report 2022-23

#### 1. Purpose of Report

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- 1.1 To present the final Annual Report and Statement of Accounts of the Pension Fund and audit results report for the 2022-23 financial year.

#### 2. Executive Summary

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- 2.1 The report covers the key changes to the final Annual Report. The Fund’s assets have fallen to £3,250m, following negative investment performance during the year with a net decrease of £117.7m. Contributions, Benefits, Management Expenses and Investment income have increased since last year.
- 2.2 The report covers the findings of the external audit for the Northamptonshire Pension 2022-23.
- 2.3 There is one corrected misstatement of £7.6m identified during audit, due to estimates used for level 3 investments. There have also been a small number of disclosure adjustments required, these have been amended in the accounts.
- 2.4 There are two recommendations for management which have been actioned.

#### 3. Recommendations

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- 3.1 The Committee is asked to:
- a) Approve the Statement of Accounts and notes the Annual Report of the Pension Fund for the 2022-23 financial year.
  - b) Note the findings of external audit documented in the ISA260.

#### **4. Reason for Recommendations**

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- 4.1 To accord with legislation or the policy of the Council.

#### **5. Report Background**

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- 5.1 The Pension Fund's Statement of Accounts (SOA) form part of the Council's Statement of Accounts. These are audited by the Council's external auditor Grant Thornton (GT). The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the Fund within it) for the financial year 1<sup>st</sup> April to 31<sup>st</sup> March and that the SOA is free from material mis-statement.
- 5.2 The accounts are based on transactions accounted for within the Fund's financial ledger, information received from Investment Managers and the Fund's Custodian Northern Trust, and assumptions and estimations utilising the professional judgement of officers and Fund professional advisers in order to give a true and fair statement of the Fund's financial position.
- 5.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the Code), which governs the preparation of the financial statements for Local Government Pension Scheme funds. A CIPFA template is used each year to ensure that the reporting meets the requirements of the Code and is compliant with International Financial Reporting Standards (IFRS).
- 5.4 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.
- 5.5 The structure and content of the Annual Report is governed by guidance issued by the CIPFA in compliance with Regulation 57 of The Local Government Pension Scheme Regulations 2013 (as amended).

#### **6. Key Changes from Draft Accounts**

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- 6.1 The draft Annual Report and Statement of Accounts was brought to Committee at the July meeting. The below sets out the changes from the draft report and final report:
- 6.1.1 £7.6m adjustment made to Private Equity, Infrastructure and Property following 31 March 2023 valuations,
- 6.1.2 Page 3 - Inclusion of the Chair's Foreword,
- 6.1.3 Page 28 and 82– ACCESS information as at 31<sup>st</sup> March 2023
- 6.1.4 Page 29 – Inclusion of Cost Transparency details,
- 6.1.5 Page 34 – Updated TCFD Reporting,
- 6.1.6 Page 58 – Note about fees paid to auditors during the year
- 6.1.7 Page 79 – Adjusted 31 March 2022 actuarial present value of promised retirement benefits
- 6.1.8 Page 81 – Adjusted contractual commitments figure

## **7. Findings and feedback from External Audit fieldwork**

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7.1 The Pension Fund Statement of Accounts has been subject to external audit fieldwork and GT have offered a separate audit opinion on the Pension Fund's Annual Report and Statement of Accounts within the ISA260 document, this is set out on page 3 of the Audit report.

*"Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:*

- *the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and*
- *have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014."*

7.2 The Pension Fund's opinion cannot be finalised until the Council's audit has concluded.

7.3 There is one corrected misstatement identified during the audit. The investment asset balances included a number of estimated asset valuations for Level 3 assets, these are based on December 2022 actual valuations adjusted for cash flows to the 31 March 2023. The actual valuations received for these assets showed the investment asset balance was understated by £7.6m. This value is below materiality thresholds.

7.4 There have been a small number of disclosure amendments show in Appendix D of the results report.

7.5 There are two recommendations for management listed below, both recommendations have been actioned and communicated to the relevant teams:

7.5.1 Management should ensure that procedures are followed and that journals are authorised before posting to avoid segregation of duties risks.

7.5.2 Management should ensure that IT user responsibilities are monitored and reviewed to avoid segregation of duties.

7.6 The Final version of the Annual Report and Statement of Accounts will be published on the Fund's website.

## **8. Implications (including financial implications)**

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### **8.1 Resources and Financial**

8.1.1 There are no resource or financial implications arising from the proposals in this paper. This paper is for information only.

### **8.2 Legal**

8.2.1 There are no legal implications arising from the proposals.

### **8.3 Risk**

8.3.1 There are no significant risks arising from this report.

8.3.2 The Fund's full risk register can be found on the Fund's website at the following link:

<https://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>

#### 8.4 **Consultation**

8.4.1 The Pension Fund Accounts are produced utilising information and advice provided by Investment Managers, the Fund's Custodian Northern Trust and the Fund's Actuary, Hymans Robertson.

#### 8.5 **Consideration by Overview and Scrutiny**

8.5.1 Not applicable

#### 8.6 **Climate Impact**

8.6.1 This an information update paper only. There are no climate impact considerations arising as a direct result of this paper.

#### 8.7 **Community Impact**

8.7.1 There are no community impact implications.

#### 8.8 **Communications**

8.8.1 The final Annual Report and Statement of Accounts will be made available to the public by publication on the Fund's website. The documents will also be shared with the Local Government Association.

### 9. **Background Papers**

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9.1 Not applicable