



Regulatory and Other Committee

Open Report on behalf of Andrew Crookham Executive Director of Resources

Report to:	Pensions Committee
Date:	15 October 2020
Subject:	Pension Fund External Audit Report 2019/2020

Summary:

This report summarises the findings from the work undertaken by the Council's External Auditors, Mazars, in giving their opinion on the Pension Fund Accounts and Annual Report. Their findings were initially reported to the Council's Audit Committee in their Audit Completion Report in September 2020 and is summarised here for the Pensions Committee.

Recommendation(s):

That the Committee note this covering report and the Audit Completion Report prepared by the Council's External Auditors, Mazars.

Background

1. The Pension Fund Annual Report and Accounts for the year ended 31 March 2019 have been completed and were approved by this Committee at its meeting on 16 July. These have now been independently audited by the Council's external auditors, Mazars.

Audit Completion Report

2. A copy of the External Auditors Audit Completion Report is attached to this report at **Appendix A**. This details the findings from their work on the Pension Fund financial statements.
3. In summary, the External Auditor has confirmed that the audit of the Pension Fund is substantially complete with some work outstanding relating to the normal audit completion procedures. The External Auditor has not at this stage identified any material misstatements or any non-adjusted non-material misstatements in the financial statements which they would need to report.

Statement of Accounts

4. The accounts presented to the Pensions Committee in July included the asset valuations for illiquid assets that were available to the Fund at 31 March 2020. Some of these related to earlier accounting periods (e.g. 31 December 2019) rolled forward for cash flows. This is standard valuation practice for such assets and is the approach set out in accounting standards. Over the summer, 31 March 2020 valuations for these holdings have been received by the Pension Fund, and after review, have been incorporated into the Pension Fund Accounts. The total impact of these updated valuations is a £7.647m reduction in asset values (across alternatives, infrastructure, private equity and property venture).
5. The Fund has also reviewed the classification of its assets within the Fair Value Hierarchy and has made a number of changes to this analysis, including reclassifying Property Unit Trust holdings in March 2020 from Level 2 to Level 3 to reflect the 'material uncertainty' clause issued by the Valuers of these funds (level 3 assets have at least one input that could have a significant effect on the value of the assets which is not based on observable market data).
6. The above amendments have been made to the Statement of Accounts 2019/20, plus a small number of items identified by the External Auditor during their presentational review of the accounts document. A final version of the Pension Fund Accounts is attached to this report at **Appendix B**.

Audit Completion

7. The External Auditor has confirmed that they expect, based on the work completed to date, to be able to give an unqualified audit opinion on the Pension Fund financial statements at the beginning of October. The consistency opinion given for the Annual Report is expected to be completed at a later date, but before statutory deadline at the end of December.
8. A copy of the Annual Report will be published on the Pension Fund website and all Fund employers will be notified of this once complete. In addition, the link will be shared with all County Councillors, trade unions who represent contributing members of the Fund and, on request, to any other individuals or organisations. A summary of the annual report will be sent to all scheme members in a future newsletter issued by WYPF, as the Fund's scheme administrator.

Conclusion

9. The audit of the Pension Fund Statement of Accounts for the year ended 31 March 2020 is largely complete and it is expected that the external auditor, Mazars, will issue an unqualified audit opinion at the beginning of October. They also expect to issue the consistency opinion on the Annual Report by the statutory deadline at the end of December. Copies of the Pension Fund Annual Report and Accounts will be distributed to interested parties after this.

Consultation

a) Have Risks and Impact Analysis been carried out??

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund Audit Completion Report 2019/2020
Appendix B	Lincolnshire Pension Fund - Final Financial Statements 2019/2020

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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