

WIRRAL COUNCIL

PENSIONS COMMITTEE

17 JULY 2017

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| SUBJECT: | STATEMENT OF ACCOUNTS 2016/17 – MERSEYSIDE PENSION FUND |
| WARD/S AFFECTED: | ALL |
| REPORT OF: | SECTION 151 OFFICER |
| KEY DECISION? | NO |

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to present Members with the audited statement of accounts of Merseyside Pension Fund for 2016/17 and to respond to the Audit Findings Report from Grant Thornton.
- 1.2 Subject to outstanding work, Grant Thornton has indicated there will be an unqualified opinion and there are no adjustments affecting the Fund's reported financial position for the year ended 31 March 2017 of net assets of £8.2bn and no recommendations.
- 1.3 Grant Thornton's report expresses a positive outcome from their audit of the accounts and refers to the accounts being prepared to a good standard with good supporting working papers.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The purpose of the Statement of Audited Accounts is to present the overall financial position of the Pension Fund as at 31 March 2017 in accordance with prescribed guidance.
- 2.2 The Statement of Accounts, including notes were prepared and available for audit by 31 May 2017, a month ahead of the statutory deadline, the audit has also been undertaken to a revised timetable, in preparation for revised statutory deadlines that come into force for 2017/18 reporting.
- 2.3 Grant Thornton is close to completion of its audit of the accounts and the Audit Findings Report is on this agenda. They may provide a verbal update at the meeting on the report and officers will respond if necessary.
- 2.4 There are no adjustments affecting the Fund's reported financial position for the year ended 31 March 2017 of net assets of £8.2bn. A small number of disclosure adjustments to improve the presentation of the financial statements and annual report have been agreed.

- 2.5 Within the audit findings report against controls, two issues have been brought to your attention by the auditor:
- a) the lump sums and pension payment calculations work undertaken by internal audit has been reviewed by management with the conclusion that compensatory controls did exist, but there was a timing inefficiency. The issue has now been resolved with changes in working practices. The change to immediate payments during 2016/17 has further strengthened the control environment.
 - b) The Fund reviews internal control reports from main mandate investment managers on an annual basis; the review by the Fund did result in identifying control weaknesses, however, further assurances were obtained by the Fund on the issues identified. Future reviews will be reported to Governance and Risk Working Party.
- 2.6 The audit findings report also reports of a small number of fair value measurements disclosures that did not appear to be fully compliant with the requirements of the Code, the Fund's view is in some instances the information is already contained within other notes to the accounts, were it is not, the information was not readily available from its advisors, the Fund will continue to work with its advisors and Fund Managers.
- 2.7 I have prepared a Letter of Representation on behalf of the Committee which gives assurances to the Auditor on various aspects relating to the Pension Fund.
- 2.8 The Audit Opinion will be issued following final completion of the audit, consideration of the Audit Findings Report and approval of the amended Statement of Accounts at both the Pensions Committee and the Audit and Risk Management Committee. Once approved, Grant Thornton has indicated that they will again issue an unqualified opinion, and state that the accounts present fairly the financial position of Merseyside Pension Fund as at 31 March 2017. Subject to this, the accounts as now shown will form the basis of the Annual Report for the year ended 31 March 2017.

3.0 RELEVANT RISKS

- 3.1 Not relevant for this report.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Not relevant for this report.

5.0 CONSULTATION

- 5.1 Not relevant for this report

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are no implications arising directly from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are no implications arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are no planning or community safety implications arising from this report.

13.0 RECOMMENDATION/S

13.1 That Pensions Committee approves the audited Statement of Accounts for 2016/17, considers the amendments to the accounts, the Audit Findings Report and the Letter of Representation.

13.2 That Pensions Committee refers the recommendations to the Audit and Risk Management Committee.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Under the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government, the Auditor reports its findings on the audit of the Pension Fund Financial Statements to those charged with governance.

14.2 As the Pension Fund receives a separate Audit Findings Report, this report will first be considered by Pensions Committee, and then by Audit and Risk Management Committee.

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APPENDICES

1. The statement of accounts forms part of the draft annual report which is a separate item on the agenda at this Committee meeting.

BACKGROUND PAPERS/REFERENCE MATERIAL

The Statement of Accounts plus relevant working papers and the Audit Findings Report from Grant Thornton were used in the production of this report.

BRIEFING NOTES HISTORY

| Briefing Note | Date |
|----------------------|-------------|
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SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|--|--------------------------|
| PENSIONS COMMITTEE | |
| AUDIT AND RISK MANAGEMENT COMMITTEE | 26 SEPTEMBER 2016 |
| PENSIONS COMMITTEE | 19 SEPTEMBER 2016 |
| AUDIT AND RISK MANAGEMENT COMMITTEE | 28 SEPTEMBER 2015 |
| PENSIONS COMMITTEE | 28 SEPTEMBER 2015 |
| AUDIT AND RISK MANAGEMENT COMMITTEE | 15 SEPTEMBER 2014 |
| PENSIONS COMMITTEE | 17 SEPTEMBER 2014 |