



PENSIONS COMMITTEE

2 November 2020

REPORT TITLE:	STATEMENT OF ACCOUNTS 2019/20 – MERSEYSIDE PENSION FUND AND LETTER OF REPRESENTATION
REPORT OF:	DIRECTOR OF FINANCE & INVESTMENT (S151)

REPORT SUMMARY

The purpose of this report is to present Members with the audited statement of accounts of Merseyside Pension Fund for 2019/20 and to respond to the Audit Findings Report from Grant Thornton.

Due to COVID-19, the Fund's Statement of Accounts for 2019/20 include an additional level of uncertainty. The global pandemic has impacted upon financial markets and there is a further risk of uncertainty for the valuations of unquoted investments where there is a degree of estimation involved in the valuations.

Subject to outstanding work, Grant Thornton has indicated there will be an unqualified opinion, with the inclusion of an Emphasis of Matter paragraph highlighting asset valuation material uncertainties. This does not affect their opinion that the statements present fairly the financial position of Merseyside Pension Fund as at 31 March 2020 at £8.6bn. At the time of writing this report, the Fund has agreed to all material adjustments; a verbal update at the meeting will be provided.

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. Subject to this, the accounts will form the basis of the Annual Report for the year ended 31 March 2020.

A Letter of Representation on behalf of the Committee has been prepared, which gives assurances to the Auditor on various aspects relating to the Pension Fund.

RECOMMENDATION/S

That Pensions Committee approves the audited Statement of Accounts for 2019/20, considers the amendments to the accounts, the Audit Findings Report and the Letter of Representation.

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

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 As required by International Standard on Auditing and the Code of Audit Practice, the Auditor reports its findings on the audit of the Pension Fund Financial Statements to those charged with governance.
- 1.2 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.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not relevant for this report.

3.0 BACKGROUND INFORMATION

- 3.1 The purpose of the Statement of Audited Accounts is to present the overall financial position of the Pension Fund as at 31 March 2020 in accordance with prescribed guidance.
- 3.2 The Statement of Accounts, including notes were prepared and available for audit by 31 July 2020, one month ahead of the statutory deadline for 2019/20 reporting.
- 3.3 For 2019/20 there is additional uncertainty regarding the valuations of illiquid assets, due to the uncertainties in the financial markets and the time it will take to fully realise the impact of COVID-19 on such assets. There is an increased level of risk that the estimated valuations may be misstated. The valuations have been updated based upon the available information as at 31 March 2020
- 3.4 For 2019/20, also due to COVID-19, the property valuation has been reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global and, stated consequently with less certainty. A higher degree of caution should be attached to their valuation than normally would be the case. The value of direct property as at 31 March 2020 is reported as £471.9 million.
- 3.5 As a result of COVID-19, the future investment values may be more volatile, at least over the short to medium term, until a vaccine or other successful cure is found for COVID-19. However, to date, although there has been significant variation to individual fund values (both upwards and downwards), as at the end of September 2020 the investments are valued overall at a higher value than they were at 31 March 2020 (as reported in the financial statements).
- 3.6 With regards to the Fund's illiquid investments, these are well diversified between sectors and also vintage year (year in which first influx of investment capital is delivered to a project or company) meaning that there will be a wide dispersion between the potential valuation effects. Some of the underlying investment assets could have seen positive uplifts to their valuations (e.g.

broadband/telecommunications infrastructure providers), as well as those which will have seen negative (e.g. transport sectors due to short-term demand shocks).

- 3.7 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.
- 3.8 A Letter of Representation on behalf of the Committee which gives assurances to the Auditor on various aspects relating to the Pension Fund.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are none arising directly from this report.

5.0 LEGAL IMPLICATIONS

- 5.1 There is a legal requirement to prepare and approve the statement of accounts under Regulation 57 of The Local Government Pension Scheme Regulations 2013 and The Accounts and Audit Regulations 2015.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

- 7.1 There are none arising directly from this report.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

- 9.1 No equality issues arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 There are no environmental or climate implications arising from this report.

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APPENDICES

- 1. The statement of accounts forms part of the Annual Report & Accounts which is a separate item on the agenda at this Committee meeting.

2. Letter of Representation

BACKGROUND PAPERS

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

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
The Fund's Statement of Accounts are brought annually to this Committee.	16 July 2019
	16 July 2018
	17 July 2017