

# **WIRRAL COUNCIL**

## **PENSIONS COMMITTEE**

**20 SEPTEMBER 2021**

<b>REPORT TITLE:</b>	<b>MERSEYSIDE PENSION FUND ANNUAL REPORT &amp; ACCOUNTS 2020/21 AND LETTER OF REPRESENTATION</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF RESOURCES (\$151)</b>

### **REPORT SUMMARY**

The purpose of this report is to present to Members:

- Annual Report & Accounts for Merseyside Pension Fund for 2020/21
- A letter of representation prepared by Officers on behalf of the Committee.

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its position at year end. The Fund's financial position for the year ended 31 March 2021 is reported as £10.1bn.

The primary reporting publication for the Fund's Statement of Accounts is part of Wirral Council's Accounts, as the Administrating Authority. The LGPS Regulations require the Fund's financial statements to also be published within the Fund's statutory Annual Report.

The accounts were prepared and submitted for external audit on 1 July 2021. The external auditors, Grant Thornton, subject to outstanding work, has indicated there will be an unqualified opinion. The audit work has identified an adjustment to the financial statements' financial position, due to more up to date information being available during the course of the audit. At the time of writing this report, the Fund has agreed to all material adjustments and there are no recommendations; 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 2021.

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 the Pensions Committee be recommended to approve the audited Statement of Accounts for 2020/21, considers the amendments to the accounts, the Audit Findings Report and the Letter of Representation.

That the Pensions Committee be recommended to refer the recommendations above to the Audit and Risk Management Committee.

That the Pensions Committee be recommended to approve the Annual Report of Merseyside Pension Fund for 2020/21 for publication.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION**

- 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.
- 1.3 There is a statutory requirement to produce and publish an annual report for the year to 31 March by 1 December of that year.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 No other suitable options as this is a statutory requirement.

### **3.0 BACKGROUND INFORMATION**

- 3.1 The primary reporting publication for the Fund's Statement of Accounts is part of Wirral Council's Accounts, as the Administrating Authority. The LGPS Regulations require the Fund's financial statements to also be published within the Fund's statutory Annual Report.
- 3.2 The purpose of the Statement of Audited Accounts is to present the overall financial position of the Pension Fund as at 31 March 2021 in accordance with prescribed guidance.
- 3.3 The Statement of Accounts, including notes were prepared and available for audit by 1 July 2021, one month ahead of the statutory deadline for 2020/21 reporting. The Fund's Annual Report was available for audit during August.
- 3.4 Grant Thornton's audit work of the accounts is ongoing, 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.
- 3.5 The audit work has identified an adjustment to the financial statements' financial position, due to more up to date valuations being available during the course of the audit for private market assets. Audit testing of level 3 assets identified a sizable difference in the valuation used in the production of the accounts and the valuation now available, for one investment. In discussion with the auditor and recognising the risk of a material difference being identified as further work continued, officers agreed to review valuations of all private market assets to assess whether more up to date valuations were now available. The financial statements have now been updated with the latest available information for private market assets as of 31 March 2021 and the overall value has increased by £135.9m.

- 3.6 The audit work identified an adjustment to the reporting of derivatives, there was no change to the overall financial position.
- 3.7 The Additional Voluntary Contributions disclosure note (note 24), is incomplete, this is due to the Fund still waiting for information from one AVC provider and will be updated as soon as it becomes available.
- 3.8 A small number of disclosure adjustments, to improve the presentation of the financial statements and annual report, have been agreed.
- 3.9 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.

#### **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 MPF is one of the largest local government pension schemes with assets of around £10bn. The annual audit of fund provides assurance as to the valuation and title of those assets, to those charged with governance. A failure to fulfil its statutory requirements would bring significant financial and reputational risks to the administering authority.

#### **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 The Fund's statement of accounts form part of Wirral Council's accounts and where available for public inspection.

#### **9.0 EQUALITY IMPLICATIONS**

- 9.1 There are none 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. Annual Report & Accounts.
2. Letter of Representation

### **BACKGROUND PAPERS**

The Fund's Statement of Accounts  
Cipfa The Code of Practice for Local Authority Accounting in the UK 2020/21  
Grant Thornton Audit Findings Report  
Cipfa Guidance for LGPS – Preparing the Annual Report (2019)

### **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
The Fund's Statement of Accounts are brought annually to this Committee.	<b>2 November 2020</b>
	<b>16 July 2019</b>
	<b>16 July 2018</b>