


<b>Essex Pension Fund Strategy Board</b>	<b>PSB 08</b>	
<b>Date: 06 July 2022</b>		

## **Update on Essex Pension Fund Draft Accounts 2021/22 and External Audit**

Report by the Investment Manager

Enquiries to Samantha Andrews 03330 138501

**This Report is for noting**

### **Executive Summary**

#### **Report Type: Governance**

The statutory timeline to produce Draft Statement of Accounts for 2021/22 for inspection is 31 July 2022 with final audited and approved accounts by 30 September 2022. However, the Government recently consulted on a proposal to extend the latter deadline to 30 November 2022.

The 2021/22 external audit is expected to commence in mid-August with the County audit to follow late September. Due to the outstanding issue with the County's Accounts the Fund is still not in a position to get 2020/21 Accounts signed off.

## **1. Purpose of the Report**

- 1.1 To provide Members with a summary of the process for the publication of the Pension Fund's Financial Statements for 2021/22.
- 1.2 To provide an update on the status of the external audit for both 2020/21 and 2021/22.

## **2. Recommendation**

- 2.1 That the Board should note the content of the report.

### **3. Background**

- 3.1 The Pension Fund's Financial Statements are currently required to be included within the Annual Accounts of Essex County Council (ECC).
- 3.2 Each year the County Council's Audit, Governance and Standards Committee (the Audit Committee) is required to consider and approve the Accounts after the external audit has been completed.

### **4. Publication Timetable**

- 4.1 The County Council and Pension Fund are currently statutory required to present its annual draft accounts for external audit by 31 July and publish its final audited and approved accounts by 30 September each year.
- 4.2 However, the Government has recently consulted on extending the timeline for publication of audited accounts for 2021/22 from 30 September to 30 November 2022 in an attempt to relieve the current national issue with completing external audits. At the time of writing, the outcome of this consultation is still unknown.
- 4.3 The Fund is also required to publish a separate Annual Report and Accounts by 01 December. This will be submitted to the Chairman of the Board nearer the time for approval. A copy of the approved Annual Report will then be uploaded to the Essex Pension Fund website. In the absence of the audit opinion the draft Report and Accounts will be published.

### **5. Draft Accounts 2021/22**

- 5.1 The Pension Fund have successfully closed the accounts in accordance with the Funds year-end closure timetable.
- 5.2 The draft County Council Statement of Accounts for 2021/22 (incorporating draft Pension Fund financial statements) is expected to be submitted to the Audit Committee on 25 July 2022.

- 5.3 In accordance with the statutory requirements, the Executive Director for Corporate Services will then certify the draft (unaudited) County Council Statement of Accounts for 2021/22 (incorporating the draft Pension Fund financial statements) by 31 July and present the Accounts to the external auditor.
- 5.4 The Fund is subject to a separate external audit. Colleagues from BDO have yet to issue their Audit Planning Report. This is now expected to be considered at the September Audit Committee. BDO have, however, communicated that they have provisionally pencilled in the Pension Fund Audit to commence 15 August and for the County audit a month later.
- 5.5 In normal circumstances BDO would be expected to present their audit findings to the 28 November 2022 Audit Committee meeting, subject to Government changing the audited publishing deadline as referred to in 4.2 of this report. At which stage, Members following consideration of the external auditor's findings would be asked to approve the Statement of Accounts and the final Annual Governance Statement for publication.
- 5.6 However, the timing of this year's audit is likely to impact on whether BDO will be in a position to report the results of the County Council's and Pension Fund audit work to the November Audit Committee. In addition, the extended timeframe for the audit may impact the Fund's delivery of the 2022 Triennial Valuation.

## **6. Status of 2020/21 External Audit**

- 6.1 BDO presented drafts of the 2020/21 Audit Completions Reports for the Council and Essex Pension Fund to the Audit Committee on 21 March 2022.
- 6.2 It was noted that BDO had substantially completed the Pension Fund audit and are expected to issue an unqualified opinion. In regard to the County's audit, it was noted that the auditor had raised a concern around the accounting for infrastructure assets. This issue has become a national issue and presents a risk for all local authorities going forward if the issues are not resolved.

- 6.3 Chartered Institute Public Finance Accountancy (CIPFA) agreed to assist with the resolution and recently issued a consultation which sought views on proposals to amend the Accounting Code. At the time of writing, the outcome of the consultation is still awaited. As a consequence, Officers are still unable to give an indication as to when this matter will be resolved.

## **7. Link to Essex Pension Fund Objectives**

- 7.1 Audit work assists the Fund in achieving a number of its objectives, including:
- ensuring the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
  - act with integrity and be accountable to our stakeholders;
  - understand and monitor risk and compliance; and
  - provide a high-quality service whilst maintaining value for money.

## **8. Risk Implications**

- 8.1 Audit work is a means of both identifying and mitigating risk.
- 8.2 The delay in the Pension Fund audit may impact the delivery of the 2022 Actuarial Valuation.

## **9. Communication Implications**

- 9.1 Other than ongoing reporting to the Board and ECC's Audit, Governance and Standards Committee, there are no communications implications.

## **10. Finance and Resources Implications**

- 10.1 At the time of publication of this Agenda Pack, the Audit Planning report had not been received and therefore the projected costs for External Audit for 2021/22 are currently unknown but are expected to be in line with previous years.

## **11. Background Papers**

- 11.1 The Local Government Pension Scheme (Administration) Regulations 2008.
- 11.2 The Accounts and Audit Regulations 2015.
- 11.3 Closure of Accounts 2021/22, AGS/10/22 Agenda item 9, Audit Governance and Standards Committee, 21 March 2022.
- 11.4 2020/21 Audit Completion Report for the Essex Pension Fund, AGS/11/22 Agenda item 10, Audit Governance and Standards Committee, 21 March 2022.