

<b>Meeting Name:</b>	Pensions Advisory Panel
<b>Date:</b>	30 September 2024
<b>Report title:</b>	Pension Fund Statement of Accounts and Audit Findings Reports 2021-22 and 2022-23
<b>Ward(s) or groups affected:</b>	Not applicable
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	Not applicable
<b>From:</b>	Chief Investment Officer

## Recommendations

1. The Pensions Advisory Panel is asked to:
  - Note the update provided in this report on the audit of the pension fund statement of accounts for 2021-22 and 2022-23.
  - Note the Pension Fund Audit Findings reports as issued by Grant Thornton, as Appendix 1.

## Background Information

2. The pension fund statement of accounts for 2022-23 was published on 30 June 2023, with the audit of the accounts commencing in November 2023. The statement of accounts for 2021-22 and 2022-23 can be accessed via the following link: [Statement of accounts - Southwark Council](#)

## Audit Opinion

3. Grant Thornton has granted an unqualified opinion on the council and pension fund statement of accounts for both 2021-22 and 2022-23. The audit findings reports (AFR) by Grant Thornton on the pension fund statement of accounts are attached as Appendix A.
4. The purpose of Grant Thornton's AFR is to detail their findings and matters arising during the course of auditing the financial statements.
5. The 2022-23 AFR sets out an action plan which includes management recommendations regarding the financial statements. This is set out on page 20 of the report. Following Grant Thornton issuing the AFR, we have provided a management response to each recommendation as follows:

<b>Recommendation</b>	<b>Management Response</b>
Management should review the UPM system and ensure that key reports to support the audit are available to be run	The process of building a full suite of Audit, Finance and Management reports is ongoing and Civica is providing support for this vital function. Additionally, in recent weeks a number of Pension Fund Data/IT Officers have been appointed with direct SQL database knowledge to ensure this process can be fully automated.
We recommend that management obtain a formal IAS26 report to state the year end actuarial liability on an annual basis	Our interpretation of the application of option B under IAS26 has been applied since 2012. This approach has been taken on the advice of the Fund's actuaries, and hasn't previously been challenged during pension fund audits. However, management will take this recommendation on board and ensure that the gross liability is updated on an annual basis, thereby improving the quality and clarity of the information available to readers of the pension fund accounts.
We recommend that management perform Analytical Reviews of the key notes in the accounts and ensures all significant movements are understood to avoid the risk of errors in the financial statements	A process has been implemented which includes quarterly reconciliations of custodian to fund manager valuations. This will ensure such potential overstatements will be identified and avoided in future. To ensure a robust review process is fully in place, an analytical review will be conducted as part of the 2023-24 closing process.

6. Key adjustments to the accounts which were identified during the audit related to level 3 investment valuations. Between the accounts being prepared and the commencement of the audit, more up to date valuation information became available for level 3 investments held by the Fund. Details are set out on page 23 of the AFR. These were deemed to be an adjusting event and were therefore adjusted in the pension fund accounts.

## **Community, equalities (including socio-economic) and health impacts**

### **Community impact statement**

7. There are no immediate implications arising from this report.

### **Equalities (including socio-economic) impact statement**

8. There are no immediate implications arising from this report.

### **Health impact statement**

9. There are no immediate implications arising from this report.

### **Climate change implications**

10. There are no immediate implications arising from this report.

### **Resource implications**

11. There are no immediate implications arising from this report.

### **Legal implications**

12. There are no immediate implications arising from this report.

### **Financial implications**

13. There are no immediate implications arising from this report.

### **Consultation**

14. There are no immediate implications arising from this report.

## **APPENDICES**

<b>Name</b>	<b>Title</b>
Appendix 1	Audit Findings Reports – 2021-22 and 2022-23

**AUDIT TRAIL**

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director of Resources	
<b>Report Author</b>	Caroline Watson, Chief Investment Officer	
<b>Version</b>	Final	
<b>Dated</b>	17 September 2024	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Assistant Chief Executive – Governance and Assurance	No	No
Strategic Director of Resources	No	No
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>	17 September 2024	