



South Tyneside Council

Local Pension Board

Date: 21st October 2022

Annual Report and Accounts 2021/22 (for information and discussion)

Report of the Head of Pensions

Purpose of Report

1. This report updates the Board on the position of the Annual Report and Accounts for the financial years 2020/21 and 2021/22.
2. The Board is asked to note the report.

Background

3. The deadlines for the production and authorisation of the Pension Fund accounts normally follow the timescales outlined in the Accounts and Audit Regulations 2015, as follows:
 - 31st May in the year following the end of the financial year, produce draft accounting statements for the Council and the Pension Fund.
 - No later than the 31st July in the year following the end of the financial year, produce the audited Council's Report and Accounts, which contains the Fund's Financial Statements.
 - 1st December publish the Pension Fund Annual Report and Accounts.
4. As a consequence of the knock on impact from Covid-19 and ongoing national audit issues, the Department of Levelling-up, Housing and Communities have extended the deadlines for the production of Accounts for 2021/22 as follows;
 - 31st July 2022 for the draft Financial Statements for the Council and the Pension Fund.
 - 30th November 2022 for the audited Council's Report and Accounts, which contains the Fund's Financial Statements.
 - 1st December 2022 to publish the Pension Fund Report and Accounts.
5. These changes to the deadlines are to allow organisations more time to complete their financial statements and auditors to complete their audit work.

2021/22 Report and Accounts

6. At the Board meeting in July, a report was presented which set out the proposed approach to the audit of the 2021/22 Report and Accounts. Ernst and Young (EY), the Fund's external auditor, also presented their audit plan for the year end accounts.
7. The Board has previously been informed of the following working timetable for the review and approval of the 2021/22 accounts:
 - June – EY to present their audit planning report to Pensions Committee.
 - July – EY to present the audit planning report to the Local Pension Board.

- September – Pensions Committee receives the Fund's Annual Report and Accounts for approval (this will also contain the financial statements). This will include a presentation from EY, including their audit report.
 - October – EY will present their audit report to the Local Pension Board.
8. It was flagged to the Board at the last meeting that whilst the above timetable was planned, EY had already cautioned that this may not be achieved due to backlogs of work. The backlogs in work being at least in part linked to the delays in the audit of the 2020/21 Report and Accounts (see below).
9. Unfortunately, the auditor's concerns about the timetable have come to pass and the audit on the 2021/22 Report and Accounts is now running behind the working timetable (although, crucially, it is still anticipated that the statutory deadlines will be met).
10. Whilst good progress has been made on the 2021/22 Report and Accounts, with a final draft having been prepared, the delayed audit work meant EY were not able to report their audit findings to Pensions Committee last month. This meant that Pensions Committee was not able to sign-off the Pension Fund Report and Accounts, as had been originally planned. The delays in the process also mean, unfortunately, that EY are not able to report their audit findings to the Board at today's meeting.
11. The delays in EY progressing their audit work are disappointing. It should, however, be noted that whilst Pensions Committee has oversight over the production of the Financial Statements and the Report and Accounts, the legal responsibility for reviewing and approving them rests with the Council's Audit Committee and the General Purposes Committee. This is because the Fund has no separate legal identity to the Council and the Pension Fund Financial Statements form part of the Council's wider Report and Accounts. Pensions Committee, is however, responsible for the sign-off of the Pension Fund Annual Report and Accounts, which contains the Fund's Financial Statements.
12. As stated above, the delays in the working timetable are not expected to impact on the statutory deadlines being met. An amended working timetable is now in place as follows :
- 28th November 2022 - The Council's Report and Accounts will go to Audit Committee for formal sign-off.
 - 29th November 2022 - The Pension Fund Report and Accounts will go to Pensions Committee for formal approval. EY will present their audit findings to Committee at this meeting.

- 1st December 2022 – Publication of the Pension Fund Report and Accounts.

13. A copy of the draft Report and Accounts has been included alongside the Board agenda for information purposes. A further update on the 2021/22 Report and Accounts will be provided at the next Board meeting.

2020/21 Report and Accounts

14. Whilst this report is primarily intended to cover the position on the 2021/22 Financial Statements and Report and Accounts, it needs to be recognised that the Fund's 2020/21, Financial Statements and Report and Accounts have not yet been signed off by EY.

15. As previously reported, this is due to a national issue impacting on all Local Authority financial statements including those of South Tyneside Council. This has nothing to do with the Pension Fund, but as noted above, because the Fund's Financial Statements are included in the Council's Report and Accounts, they and the Fund's Report and Accounts cannot be signed off until the Council position has been resolved.

16. It is understood that an approach has now been agreed between local authorities, audit firms and accountancy professional bodies, which will allow councils to get their 2020/21 Report and Accounts signed off with a limited opinion.

17. It is currently expected that the Council's Report and Accounts for 2020/21, including the Fund's Financial Statements, will be signed off by the auditor following the Audit Committee on the 24th October 2022. The Fund will then be able to get its own Financial Statements and Report and Accounts for 2020/21 signed off and receive its own clean audit opinion from EY.

Recommendation

18. The Board is recommended to note the Report.

Annual Report and Accounts 2021/22

The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:

Background Paper	File Ref:	File Location
Final Accounts File 2021/22		Investments Office, South Shields Town Hall