

**ITEM No ...6(a).....**

**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE  
& PENSION BOARD – 17 OCTOBER 2022**

**REPORT ON: TAYSIDE PENSION FUND 2021/2022 ACCOUNTS AND AUDIT**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 237-2022**

**1 PURPOSE OF REPORT**

To report on the outcome of the external audit of Tayside Pension Fund for the year to 31 March 2022. A copy of the External Auditor's Annual Audit Report (Report No 239-2022) and the Draft Audited Annual Report and Accounts 2021/2022 for the Tayside Pension Fund (Report No 238-2022) are also to be considered.

**2 RECOMMENDATIONS**

It is recommended that the Committee notes the contents of External Auditor's Annual Audit Report, in particular that Audit Scotland anticipate issuing an unqualified audit opinion.

**3 FINANCIAL IMPLICATIONS**

None.

**4 MAIN TEXT**

**4.1 Introduction**

External audit is one of the key methods by which the activities and performance of local government are independently scrutinised and reported upon. The external audit of Tayside Pension Fund for the financial year 2021/2022 was carried out by Fiona Mitchell-Knight, Assistant Director, Audit Services, Audit Scotland. As a result of the COVID 19 pandemic, the Auditor General for Scotland and the Accounts Commission for Scotland announced their intention to extend the current audit appointments by one year, therefore 2021/2022 was the sixth and final year of Audit Scotland's appointment.

The 2021/2022 Unaudited Statement of Accounts was circulated to elected members and to Audit Scotland on 27 June 2022, in line with the statutory deadline. The Accounts have been subject to a three-week statutory public inspection period and no objections were received.

**4.2 External Auditor's Annual Audit Report**

Audit Scotland have now completed their audit work and, in accordance with auditing standards (ISA 260), they are now required to report the outcome of their work in relation to the financial statements. This requirement is addressed via their Annual Audit Report. The report is divided into the following five key areas:

- Audit of 2021/2022 annual accounts
- Financial Management
- Financial Sustainability
- Governance and Transparency
- Value for Money

**4.3 Conclusions**

The External Auditor has undertaken a thorough and wide-ranging review of the financial statements and the processes and procedures around their preparation. Their audit of the annual accounts confirms that the financial statements provide a true and fair view and were properly prepared. The management commentary, annual governance statement and

governance compliance statement were all consistent with the financial statements and properly prepared.

The audit highlighted that the Fund pays out more than it collects annually from fund members, with investment returns making up the difference. The value of the Fund increased by 5 per cent to £5.1 billion during 2021/22, but investment performance was below the benchmark return set for the year. The global impact of the pandemic and the conflict in Ukraine has significantly increased market volatility, and there is a risk that there will be further fluctuations in the Fund value in future years, as the long-term impact of these events becomes clearer.

In respect of financial sustainability, the results of the 2020 triennial valuation showed an improved position with the Fund 109 per cent funded. This enabled the Fund to maintain the employer's common contribution rate at 17 per cent for the period 2021-2024. Given the funding position at 31 March 2020, and the healthy net asset position at 31 March 2022, we currently have no concerns about the financial sustainability of the Fund or the viability of the funding strategy.

In terms of governance, transparency and best value, the audit confirmed that the Fund has adequate arrangements in place to support good governance and accountability, and scrutiny of decision-making. The Fund conducts its business in an open and transparent manner and has appropriate arrangements in place to prevent and detect fraud and corruption, and to ensure compliance with the Pensions Regulator Public Service Code.

2021/22 was a challenging year for Scottish Local Government Pension Schemes. Ten of the eleven funds still reported positive movements in net assets during the year, but only three of those funds, not including Tayside, reported above benchmark returns.

It is also pleasing to note that the external auditors found working papers to be of a good standard, that staff provided good support to the audit team, and anticipate that an unqualified audit opinion will be issued.

## 5 **POLICY IMPLICATIONS**

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment (Ref: 447269299).

## 6 **CONSULTATIONS**

The Chief Executive and Head of Democratic and Legal Services has been consulted on the content of this report.

## 7 **BACKGROUND PAPERS**

None

**ROBERT EMMOTT**  
**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**26 SEPTEMBER 2022**