

ITEM No ...7(a).....

**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE
& PENSION BOARD – 20 SEPTEMBER 2021**

REPORT ON: TAYSIDE PENSION FUND 2020/2021 ACCOUNTS AND AUDIT

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 242-2021

1 PURPOSE OF REPORT

To report on the outcome of the external audit of Tayside Pension Fund for the year to 31 March 2021. A copy of the External Auditor's Annual Audit Report (Report No 244-2021) and the 2020/2021 Audited Statement of Accounts for the Tayside Pension Fund (Report No 243-2021) 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 2020/2021 was carried out by Fiona Mitchell-Knight, Assistant Director, Audit Services, Audit Scotland. Local authority external auditors are appointed for a five-year period for a five-year period and the financial year 2020/2021 marked the fifth year of Audit Scotland's appointment. However, 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, and it is therefore anticipated that the final year of Audit Scotland's appointment will be the 2021/2022 financial year.

The 2020/2021 Unaudited Statement of Accounts was circulated to elected members and to Audit Scotland on 21 June 2021, 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 2020/2021 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 annual performance was significantly better than anticipated during 2020/21 and saw the value of the Fund increase by 32 per cent to £4.9 billion at 31 March 2021. However, there remains a risk that there will be further volatility and fluctuations in the value of investments in future years as the long-term impact of Covid-19 becomes clearer, and the stimulus measures introduced by global governments in the wake of the pandemic come to an end.

In terms 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 2021, 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 good practice, the audit confirmed the Fund to have adequate arrangements in place which support good governance and accountability. The Covid-19 pandemic has impacted on these since March 2020 but we have concluded that the revised governance arrangements are appropriate in the current circumstances.

All Scottish Local Government Pension Schemes reported positive movements in net assets during 2020/21. However, Tayside Pension Fund's increase of 32 per cent placed it as one of the best performing funds over the last 12 months.

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 screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

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

10 SEPTEMBER 2021