

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

REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 11 DECEMBER 2023

REPORT ON: TAYSIDE PENSION FUND 2022/2023 ACCOUNTS AND AUDIT

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 371-2023

1 PURPOSE OF REPORT

To report on the outcome of the external audit of Tayside Pension Fund for the year to 31 March 2023. A copy of the External Auditor's Annual Audit Report (Report No 373-2023) and the Draft Audited Annual Report and Accounts 2022/2023 for the Tayside Pension Fund (Report No 372-2023) 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 2022/2023 was carried out by Brian Howarth, Audit Director, Audit Services, Audit Scotland. The Auditor General for Scotland and the Accounts Commission for Scotland appointed Audit Scotland for a five year period, 2022/23 being the first year of the new appointment.

The 2022/2023 Unaudited Statement of Accounts was circulated to elected members and to Audit Scotland on 26 June 2023, 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 2022/2023 annual accounts
- Financial Management
- Financial Sustainability
- Vision, Leadership and Governance
- Use of resources to improve outcomes

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 decreased by 4.5 per cent to £4.8 billion during 2022/23. The performance of the Fund's investments was poorer in the first half of 2022/23. Many factors contributed to that, including the conflict in Ukraine and the resultant impact on global energy and food costs which caused a steep rise in inflation and interest rates. The second half of the year saw a recovery of Fund values, as fears of global recession didn't materialise, interest rates were perceived to be reaching their peak and global inflation slowed down which led to positive performance particularly for equities.

In respect of financial sustainability, there are no concerns over the arrangements in this area. The next triennial valuation covering at 31 March 2023 is currently being conducted. This will provide an updated assessment of the Fund's position. The results of the 2020 full triennial valuation of the Tayside Pension Fund showed a funding level of 109 per cent. The most recent interim valuation did not provide a specific funding level but concluded that the funding position remained static. The outcome of the triennial valuation will include setting the funding strategy for the following 3 years, including contribution rates, with effect from 1 April 2024.

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.

In terms of use of resources to improve outcomes, the Fund has effective arrangements for monitoring and reporting performance, but there is scope for improvement.

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.

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

01 DECEMBER 2023