

REPORT TO:	Pension Board 17 January 2024
SUBJECT:	The Audit Findings Report for the London Borough of Croydon Pension Fund for the year ended 31 March 2020
LEAD OFFICER:	Matthew Hallett, Acting Head of Pensions and Treasury

1. **RECOMMENDATION**

The Board are asked to note this report.

2. **EXECUTIVE SUMMARY**

- 2.1 This report asks the Board to note “The Audit Findings Report for the London Borough of Croydon Pension Fund” for the year ended 31 March 2020, as prepared by Grant Thornton UK LLP and attached as Appendix A.

3. **DETAIL**

- 3.1 According to the Pension Scheme Regulations the audited Pension Fund Accounts and Annual Report are required to be completed and audited in the summer following the end of each financial year. However, in view of the Covid-19 pandemic the regulations in respect of the completion for 2019/20 were relaxed with the deadline for the preparation of the financial statements extended up to 31 August 2020 and the date for the audit to be completed to 30 November 2020. Due to further issues arising from the pandemic and matters pertaining to the Council’s Accounts the audit has not yet been completed.
- 3.2 At their meeting on 13 January 2022 the Board were advised that the Committee, on 3 December 2021 had received and noted the Fund’s Annual Report for 2019/20 which included the draft Pension Fund Accounts
- 3.3 At that time the Auditors indicated that, based on the draft Accounts they had received, they would not be requiring any significant adjustments and that they expected to provide an unqualified audit opinion.
- 3.4 The Committee and Board understood that when the Audit Findings Report was finalised it would be considered by the, then, General Purposes and Audit Committee as constituting those charged with governance under the regulatory framework.
- 3.5 At their meeting on 30 November 2023 the, now, Audit and Governance Committee noted “The Audit Findings Report for the London Borough of Croydon Pension Fund” attached as Appendix A. The final Report is expected to be reported to the Audit and Governance Committee on 1 February 2024.

3.6 The Report goes into some detail but some particular highlights which may interest the Board are as follows:

3.6.1 Headlines (Page 3)

Our audit work was completed remotely between October 2020 and July 2021. Our findings are summarised on pages 4 to 11. To date we have not identified any adjustments which impact on the Net Assets of the fund available to fund benefits reported in the draft Accounts. Some minor adjustments have been identified in respect of some of the disclosures in the Accounts, which are documented in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (attached at Appendix D) or material changes to the financial statements, subject to the following outstanding matters;

- completion of our outstanding testing (refer to Page 4 for more detail);*
- our final internal quality reviews; • receipt of management representation letter; and*
- review of the final set of financial statements.*

Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting the material uncertainty disclosed in respect of the valuation of your investments in Direct Property. An Emphasis of Matter paragraph is not a qualification.

3.6.2 Significant audit risks (Pages 6 and 8)

From the work performed to date, we have identified that there is a material uncertainty attached to the valuation of the Council's Illiquid Assets, due to the inherent uncertainty over the asset valuations at 31 March 2020. This has been reflected within the Accounts in Note 5, and will be reflected within our Audit Opinion as an Emphasis of Matter Paragraph, which is not a qualification.

Should any further issues be identified from our remaining testing, then we will provide an update to Management and Committee.

3.6.3 Significant audit risks (Page 8)

During the course of our work in this area, we identified that this transaction [transfer of properties from the Council to the Pension Fund] had not taken place during the course of the 2019/20 or the 2020/21 financial year. On the 25th May 2021 the proposed approach was formally withdrawn by the Pensions Committee and therefore there is no impact on the 2019/20 Statement of Accounts.

3.6.4 Significant findings – key estimates and judgements (Page 9)

- Based on the work performed to date, we have been able to obtain sufficient assurance over the Level 3 valuations [of investments not traded on an open exchange/market with "highly subjective" valuations] included within the Accounts.*
- However, within this work we have identified that there is a material uncertainty attached to the valuation of the Council's Level 3 Investments, due to the*

inherent uncertainty over the asset valuations at 31 March 2020. This has been reflected within the Accounts in Note 5, and will be reflected within our Audit Opinion as an Emphasis of Matter Paragraph, which is not a qualification.

- *We have, on a sample basis, reviewed the basis on which the valuation of the Funds/Investments has been prepared, and where appropriate, considered the Audited Accounts of the Funds/Investments as well. To date, no issues have been identified from the work performed in this area.*

3.6.5 Significant findings – key estimates and judgements (Page 9)

- *Based on the work performed to date, we have been able to obtain sufficient assurance over the Level 2 valuations [of investments not actively traded on an open market but with underlying investments which are so traded] included within the Accounts.*
- *We have undertaken full triangulation of the closing valuations provided by the relevant Fund Managers to the values provided by the Fund's Custodian, and considered any significant variances identified from this work. No issues have been identified from the work performed in this area.*

3.7 The Board are invited to consider, comment on and note this Report.

4 DATA PROTECTION IMPLICATIONS

4.1 Will the subject of the report involve the processing of 'personal data'?

No.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Matthew Hallett on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury,

BACKGROUND DOCUMENTS:

None

APPENDIX:

Appendix A - "The Audit Findings Report for the London Borough of Croydon Pension Fund" for the year ended 31 March 2020