



## Regulatory and Other Committee

### Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection

Report to:	<b>Audit Committee</b>
Date:	<b>21 September 2015</b>
Subject:	<b>External Audits ISA 260 Report to Those Charged with Governance on Lincolnshire County Council's Statement of Accounts and Lincolnshire County Council Pension Fund Accounts for 2014/15</b>

#### Summary:

The Statement of Accounts for Lincolnshire County Council and for Lincolnshire County Council Pension Fund for the financial year 2014/15 have been completed and independently audited.

This report sets out the External Auditors findings in their ISA 260 Report to Those Charged with Governance for the County Council's Statement of Accounts (Appendix A) and for the Pension Fund Accounts (Appendix B).

#### Recommendation(s):

The Executive Director (Finance and Public Protection) recommends the Audit Committee:

1. Consider the External Auditors Report to Those Charged with Governance (ISA 260) for Lincolnshire County Council (Appendix A);
2. Consider the External Auditors Report to Those Charged with Governance (ISA 260) for Lincolnshire County Council Pension Fund (Appendix B); and
3. Approve the Letter of Representation on behalf of the Council to enable the Audit Opinion to be issued (Appendix C).

#### Background

1.1 The Audit Committee were presented with the draft Statements of Accounts for 2014/15 for scrutiny and comment at its meeting on 20 July 2015. Our external auditors, KPMG, have now completed their work on the draft Statements and have

issued their ISA 260 Reports to Those Charged with Governance for the Lincolnshire County Council Statement of Accounts and for the Pension Fund Accounts.

### Lincolnshire County Council Statement of Accounts

1.2 Appendix A to this report is KPMG's ISA 260 Report to Those Charged with Governance, this report summarises the key issues identified during the audit of the Council's financial statements for the year ending 31 March 2015 and the assessment of our arrangements to secure value for money in the use of resources.

1.3 The Audit Committee is asked to consider KPMG's ISA 260 report. The key points contained in the report are:

- Section two – Headlines (page 3). This summarises the headline messages from KPMG's audit. These are:
  - The External Auditor anticipates issuing an unqualified audit opinion by 30 September 2015.
  - The External Auditor identified two audit adjustments to the financial statements, both of the adjustments were around asset valuations, therefore, there was no impact on the General Fund.
  - KPMG are currently finalising the position on the Value for Money conclusion and will update the Committee with their findings at the meeting.

Further details on the Financial Statements audit are provided in section three (pages 5 to 10) and on the Value for Money Conclusion in section four (page 11).

- Appendix One – Key Issues and Recommendations (page 12 to 13) sets out the audit recommendations for next year's Financial Statements.
- Appendix Two – Audit Differences sets out details of the corrected errors in the Financial Statements and the uncorrected errors.

### Pension Fund Statement of Accounts

1.4 Appendix B to this report is KPMG's ISA 260 Report to Those Charged with Governance, this provides details of matters arising and errors identified in the unaudited accounts.

1.5 The Audit Committee is asked to consider the ISA 260 Report as presented by the External Auditor. The key points contained in the report are:

- Section Two – Headlines (page 3):

- The External Auditor is pleased to report that their audit of the Fund's statements did not identify any material adjustments.
- The External Auditor states that the Council has good processes in place for the production of the Fund's financial statements and good quality supporting working papers.
- The Fund's organisational control environment is effective overall. However the External Auditor has identified a weakness in internal control relating to the lack of reconciliation between information held on Altair pension's administration system and SAP, the pension's payroll system. This control has been implemented in 2015/16 through the move to the integrated system now provided by West Yorkshire Pension Fund. The discrepancies identified resulted in under and over payments to pensioners. These amounts were not material and steps have been taken to rectify the errors.
- Section Three – Pension Fund Audit (page 5) – The 2013/14 audit recommended management should review all foreign exchange rates applied to the valuation of an investment for accuracy and consistency. The External Auditor states that the 2014/15 audit work showed that management has sought to review all foreign exchange rates applied and there were no errors identified during this year's audit.
- Appendix One – Key Issues and Recommendations (page 8) – The External Auditor has made one recommendation that the Pensions Committee should continue to receive update reports to ensure the under/over payment issues have been fully addressed.

1.6 No amendments were made to the core financial statements that were presented to this committee on 20 July 2015.

### Letter of Representation

1.7 Appendix C sets out the draft Letter of Representation. This must be approved by the Audit Committee, on behalf of the Council, then signed by the Chair of the Audit Committee and the Executive Director (Finance and Public Protection) before the audit opinion can be given.

### **Conclusion**

2.1 The 2014/15 Statement of Accounts has been presented satisfactorily and is of good quality. The External Auditor expects to issue an unqualified opinion by the end of September.

## Consultation

### a) Policy Proofing Actions Required

n/a

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire County Council - Report to Those Charged with Governance (ISA260)
Appendix B	Lincolnshire County Council Pension Fund - Report to Those Charged with Governance (ISA260)
Appendix C	Lincolnshire County Council Letter of Representation 2014/15

## Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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