

Report Reference:  
**Regulatory and Other Committee**

**Open Report on behalf of Executive Director of Finance and Public Protection**

Report to:	<b>Pensions Committee</b>
Date:	<b>08 October 2015</b>
Subject:	<b>Pension Fund External Audit ISA 260 Report</b>

**Summary:**

This report brings to the Committee the ISA 260 report to those charged with governance of the Pension Fund, submitted by the external auditors for the Council, KPMG.

**Recommendation(s):**

That the Committee note the ISA 260 Report.

**Background**

1. The Pension Fund Annual Report and Accounts for the year ended 31<sup>st</sup> March 2015 have been completed and were approved by this Committee in July. These have now been independently audited by the Council's external auditors, KPMG. A report to those charged with governance (ISA 260) for the Pension Fund has been prepared by KPMG, and was taken to the Audit Committee on 21<sup>st</sup> September for approval. It has been brought before the Pensions Committee for information.
2. The ISA 260 report is shown as Appendix A. The key points to note:
  - 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 External Auditor identified a key audit risk in their 2014/15 external audit plan. The risk was that from 1<sup>st</sup> April 2014, all members of the LGPS have automatically joined the new career average defined benefit scheme.

They feel that there is a risk the pension administration systems may not have been set up to correctly reflect the changes resulting from LGPS 2014 and will therefore not accurately calculate the pension benefits due to members. External Audit have worked with officers throughout the year to discuss this key risk.

- The Fund's organisational control environment is effective overall. However the External Auditor has identified a historical 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. External Audit are satisfied that the Authority is taking the required action to rectify the issue.
  - Section Three – Prior year recommendations (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.
  - Section Three – Significant risks and key areas (page 6) – As stated in the highlights the External Auditor felt there was a risk regarding LGPS 2014. They have reviewed the controls and processes that have been put in place to accurately capture the data required by LGPS 2014 and have confirmed that the correct version of the software used to calculate benefits is in use. The External Auditor has no specific additional issues following their audit work in relation to the significant risk.
  - 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.
- 2.1 No amendments were made to the core financial statements that were presented to this committee on 13 July 2015.
  3. The accounts have been approved and signed off by external audit. The draft annual report will be finalised once the external auditor has issued his formal opinion and this has been incorporated into the report.
  4. When finalised, a copy of the annual report will be put on both the Pension Fund and the County Council websites, and all Fund employers will be notified. In addition, the link will be emailed to all County Councillors, trade unions who represent contributing members of the Fund and on request to any other individuals or organisations. A summary of the annual report will be sent to all scheme participants in due course.

## Conclusion

5. The Pension Fund Accounts for the year ended 31<sup>st</sup> March 2015 has received an unqualified audit opinion from the Council's external auditors, KPMG. Once the formal opinion has been received, a copy of the Pension Fund Annual Report and Accounts will be distributed to interested parties.

## Consultation

### a) Policy Proofing Actions Required

n/a

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund ISA 260 Report

## 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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