

Agenda Item 11



Regulatory and Other Committee

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

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| Report to: | Pensions Committee |
| Date: | 5 October 2017 |
| Subject: | Pension Fund External Audit Completion Report |

Summary:

This report brings to the Committee the Audit Completion 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 Audit Completion Report.

Background

1. The Pension Fund Annual Report and Accounts for the year ended 31st March 2017 have been completed and were approved by this Committee in September. These have now been independently audited by the Council's external auditors, KPMG. In previous years, KPMG have produced a separate ISA 260 report for the Pension Fund. This year, as last year, a joint ISA 260 has been prepared for LCC and the Pension Fund. In order to give reassurance to the Committee about the quality and accuracy of the Pension Fund accounts, officers requested a Completion Report from KPMG, setting out the summary of the status of their audit, and reporting on the ISA260 requirements. At the time of writing this is subject to final review, ahead of the joint ISA260 and Audit Opinions being presented to the Audit Committee of the Council on 25th September.
2. The Audit Completion Report is shown as Appendix A. The key points to note from the external auditor are:

Planning:

- Two significant risks were identified for the 2016/17 Pension Fund accounts:
 - Significant changes in the pension liability due to the triennial LGPS valuation; and

- The continuing weaknesses in the Agresso system controls and financial reporting arrangements.
- In addition, changes to the disclosure requirements under the 2016 CIPFA Code on Local Authority Accounting and the improving performance of the new pensions fund administrator arrangements were identified as areas of audit focus

Financial Statements Audit:

- Their audit of the Pension Fund accounts did not identify any material misstatements. There are no adjusted or unadjusted audit differences that they need to report to the Audit Committee.
- There are no matters directly arising from their audit work on the significant risks that apply to the Pension Fund that they need to report.
- KPMG expect to give an unqualified audit opinion on the Pension Fund accounts by 30 September 2017.
- The draft Pension Fund Annual Report was reviewed and it was confirmed that:
 - It complies with the requirements of the LGPS (Administration) Regulations 2008; and
 - The financial information it contains is not inconsistent with the financial information contained in the audited financial statements.
 - KPMG expect to give an unqualified opinion on the Pension Fund Annual Report at the same time as they give the audit opinion on the Fund accounts.

Completion:

- It is anticipated that an unqualified audit opinion on the Pension Fund accounts will be issued, following approval of the LCC Statement of Accounts by the Audit Committee and the signing of the standard Letter of Management Representations on 25th September.
- 3. Appendix 1 of the report identifies the matters that the auditors are required to report under ISA260 in relation to the audit of the Pension Fund accounts. These are summarised in the table below:

| ISA260 Requirement | Matters to report |
|---|---|
| Proposed audit opinion | Anticipate an unqualified opinion |
| Significant audit risks identified | No specific matters to report |
| Inherent fraud risk | No specific matters to report |
| Other areas of audit focus | No specific matters to report |
| Key judgements and accounting estimates | No specific matters to report – considered to be balanced |
| Materiality, uncorrected differences | Nothing required to report (materiality) |

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| and material misstatements | £19m, trivial threshold £0.6m) |
| Accounting practices and financial reporting arrangements | No specific matters to report, considered appropriate |
| Other matters | No specific matters to report. Good quality working papers, officers helpful and responsive. No recommendations arising |
| Independence and objectivity | No specific matters to report |
| Fees | £24,350 |

4. Once the Pension Fund Accounts have been to the Audit Committee, 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 members in the Autumn newsletters sent by WYPF, as the Fund's scheme administrator.

Conclusion

5. The audit of the Pension Fund Accounts for the year ended 31st March 2017 has been completed. It is anticipated that the external auditor, KPMG, will issue an unqualified audit opinion. Once presented to the Audit Committee, 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

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| These are listed below and attached at the back of the report | |
| Appendix A | Lincolnshire Pension Fund External Audit Progress Report |

Background Papers

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

This report was written by Jo Ray, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk.

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