

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

Report to:	Pensions Committee
Date:	04 October 2018
Subject:	Pension Fund External Audit Report

Summary:

This report summarises the findings from the work undertaken by the Council's External Auditors, KPMG, in giving their opinion on the Pension Fund Accounts and Annual Report. Their findings were initially reported to the Council's Audit Committee in the ISA 260 – Report to Those Charged with Governance in July 2018 and is summarised here for the Pensions Committee.

Recommendation(s):

That the Committee note this covering report and the ISA 260 report prepared by the Council's External Auditors, KPMG.

Background

1. The Pension Fund Annual Report and Accounts for the year ended 31st March 2018 have been completed and were approved by this Committee at its meeting on 19th July. These have now been independently audited by the Council's external auditors, KPMG. A copy of the ISA 260 Report to Those Charged with Governance is attached to this report at **Appendix A** (note this report covers both the Pension Fund and County Council's audits). This details the findings from their work on the Pension Fund Annual Report and Accounts.
2. In previous years, KPMG have produced a Completion Report for the Pension Fund Audit to give reassurance to the Committee about the quality and accuracy of the Pension Fund accounts. Due to the change in auditors from KPMG to Mazars this report is not available for the 2017/18 audit, however, the information previously contained in this Completion Report can be gleaned from the ISA260 report, and is summarised in the paragraphs below.
3. The key points to note from the external auditors work on the Pension Fund Accounts are:

Planning:

4. Three specific risks were identified from KPMG's initial risk assessment for the 2017/18 Pension Fund Accounts:
 - Faster accounts close. The statutory deadline for preparing accounts moved forward to the end of May from the end of July in previous periods;
 - Agresso upgrade. A significant update was required to the Agresso system during 2017/18; and
 - Valuation of hard to price investments. These assets are inherently harder to value as they do not have publicly available quoted prices and require professional judgement or assumptions to be made at year end.
5. No audit adjustments or differences were identified in relation to the planning risks identified by KPMG.

Financial Statements Audit:

6. In addition to the specific planning risks identified for the pension fund audit there are a number of risks which KPMG must address in their audit work from the International Standards on Auditing. Details of these risks and the outcome from their work is set out below:
 - Pension fund investments fair value disclosures. Detailed disclosures are required which can involve difficult judgements in categorising the investments held correctly;
 - Other matters – pension fund. The pension fund auditor is required, if requested, by other auditors of admitted bodies, to support their audit under the protocol put in place by the Public Sector Appointments Limited (PSAA) for this purpose; and
 - Judgements – valuation of pension assets and liabilities. The pension fund auditor assesses if the valuation judgement appears balanced. There have been no significant changes in approach from previous years and the pension fund relies on the independent expert actuarial valuation for these estimates.
7. There were no matters directly arising from their audit work on the significant risks that apply to the Pension Fund that they needed to report.
8. Overall, the audit of the Pension Fund accounts did not identify any material misstatements and there are no adjusted or unadjusted audit differences that they need to be reported.

Audit Completion:

9. An unqualified audit opinion was issued on the Pension Fund accounts as part of the Lincolnshire County Council Statement of Accounts by the end of July 2018. A copy of the annual report has been published on the Pension Fund website and all Fund employers have been notified. In addition, the link has been 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

10. The audit of the Pension Fund Accounts for the year ended 31st March 2018 has been completed. The external auditor, KPMG, issues an unqualified audit opinion and a copy of the Pension Fund Annual Report and Accounts have been 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	External Audit ISA 260 Report 2017/18, covering Lincolnshire County Council and Lincolnshire Pension Fund

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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