



Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Resources and Community Safety

Report to:	Audit Committee
Date:	23 September 2013
Subject:	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 2012/13

Summary:

The Statement of Accounts for Lincolnshire County Council and for Lincolnshire County Council Pension Fund for the financial year 2012/13 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 for Resources and Community Safety 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 A Lincolnshire County Council's Report to Those Charged with Governance at Appendix 3).

Background

1.1 The Audit Committee were presented with the draft Statements of Accounts for 2012/13 for scrutiny and comment at its meeting on 22 July 2013. 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 2013 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 2013.
 - The External Auditor is pleased to report that the audit of the financial statements did not identify any material adjustments. The Council made a small number of non-trivial adjustments, most of which were of a presentational nature. There was no impact on the General Fund.
 - The Council has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
 - The Council's organisation and IT control environment is effective, and controls over the key financial systems are sound and internal audit are compliant with the Code of Practice for Internal Audit in Local Government and the External Auditor has been able to place reliance on their work where this was relevant.
 - The Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Again the External Auditor anticipates issuing an unqualified VFM conclusion by 30 September 2013.

Further details on the Financial Statements audit are provided in section three (pages 4 to 8) and on the Value for Money Conclusion in section four (page 9).

- Appendix One – Key Issues and Recommendations (page 10) sets out the audit recommendations for next year's Financial Statements.

1.4 The report also includes a draft Letter of Representation (Appendix 3) this must be approved and signed by the Chair of the Audit Committee and the Executive Director for Resources and Community Safety before the audit opinion can be given.

1.5 In addition to the ISA 260 report the following is a list of the amendments that have been made to the accounts since the draft Statements were presented to this Committee on 22 July:

- Minor amendments to the narrative included in: the Explanatory Foreword, Officer Emoluments (note 39) and Related Party Transactions (note 47);
- Minor amendments to the tables in the following disclosure notes: Cashflow – Operating Activities (note 29), and External Audit Costs (note 42); and
- The Events After the Balance Sheet Date (note 7) has been updated from the end of June to the end of September.

1.6 No amendments were made to the core financial statements that were presented to this committee on 22 July 2013.

Pension Fund Statement of Accounts

1.7 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.

1.8 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.
 - Controls over the Fund's key financial systems are sound. The External Auditor did not identify any specific issues they wish to highlight to the Audit Committee.
- Section Three – Pension Fund Audit (page 4) – The External Auditor noted an error in note 8 (Contributions Receivable) to the accounts where an adjustment of £611K was needed between deficit funding and normal funding to correct a figure that had been incorrectly entered. This is a disclosure note only and there is no impact on the total contributions. The analysis has been corrected.

- Section Three – Pension Fund Audit (page 5) – The previous auditor recommended better record keeping by the pensions administration section over the annual data check including recording the individuals completing each test, the actions taken to correct errors, and the retention of all reports generated. The External Auditor found that the Authority has fully implemented this recommendation.
- Appendix One – Key Issues and Recommendations (page 7) – The External Auditor has made one recommendation that the membership disclosure note for the accounts is completed after the completion of the annual data cleansing exercise to improve the consistency and accuracy of the figures. The External Auditor has classed this as a priority three, which if corrected would improve the internal control but are not vital to the overall system. They are generally issues of best practice.

1.9 In addition to the ISA 260 Report the following amendment have been made to our accounts since the draft Statements were presented to this Committee on 22 July:

- Membership numbers (note 1) have been updated following the completion of the Pensions Administration year-end work.

1.10 No amendments were made to the core financial statements that were presented to this committee on 22 July 2013.

Conclusion

2.1 The 2012/13 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)

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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