

Regulatory and Other Committee

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

Report to:	Audit Committee
Date:	22 September 2014
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 2013/14

Summary:

The Statement of Accounts for Lincolnshire County Council and for Lincolnshire County Council Pension Fund for the financial year 2013/14 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).

It is for the Audit Committee to: seek assurance over the adequacy of the External Audit Opinion on the Financial Statements and the Council's Value for Money arrangements and ensure any issues / risk identified by the External Auditor are being effectively managed.

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) and the appropriateness of management responses;
2. Consider the External Auditors Report to Those Charged with Governance (ISA 260) for Lincolnshire County Council Pension Fund (Appendix B) and the appropriateness of management responses; 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 2013/14 for scrutiny and comment at its meeting on 21 July 2014. 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 2014 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 – Headline Messages (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 2014.
 - The External Auditor is pleased to report that the audit of the financial statements did not identify any material adjustments and that there were no uncorrected differences identified in the Financial Statements.
 - The Council has maintained high standards in the quality of its draft accounts and has 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 organisational control environment is effective, and no significant weaknesses in controls over key financial systems were identified.
 - 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 2014.

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 to 10).

- Appendix One – Follow up on previous year's recommendations (page 11) details how last year's audit recommendations were addressed.

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 – Finance and Public Protection 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 21 July:

- Minor amendments to the presentation of the balance sheet: moving S106 monies from other long term liabilities to long term creditors and the Fire-fighters Pension balance payable to the County Council from cash to short term debtors;
- An amendment to the carrying value of Investment Properties at 31 March 2014 (£0.476m); and
- Minor presentational amendments to Note 57 Group Accounts, Note 18 Financial Instruments, Note 8 Service Expenditure Analysis and Note 42 External Audit Fee.

Pension Fund Statement of Accounts

1.6 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.

1.7 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 Pension Fund's statements did not identify any material misstatements and there are no uncorrected misstatements.
 - The External Auditor states that the Council has maintained the high standard in the quality of the accounts and the supporting working papers.
 - The Fund's organisational control environment is effective overall, and the External Auditor has not identified any significant weaknesses in controls over key financial systems.
- Section Three – Pension Fund Audit (page 5). The 2012/13 ISA 260 Report recommended that membership numbers were updated prior to the draft statement being produced. The recommendation was addressed but the membership number information is provided by the Pension Administrator,

Mouchel, who were unable to provide the information before the 30 June 2014 deadline.

- Appendix One – Key Issues and Recommendations (page 7). The External Auditor identified an incorrect foreign exchange rate applied to the valuation of an investment. This resulted in an overstatement of £2.5m to the valuation. The External Auditor made one recommendation that all foreign exchange rates applied to the valuation of an investment are checked for accuracy and consistency. The overstatement of £2.5m was corrected to ensure the correct valuation was reported in the Financial Statements. Officers have implemented additional procedures to ensure foreign exchange rates are accurate and consistent.

1.8 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 21 July:

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

1.9 No amendments were made to the core financial statements that were presented to this committee on 21 July 2014.

Conclusion

2.1 The 2013/14 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) 2013/14
Appendix B	Lincolnshire County Council Pension Fund - Report to Those Charged with Governance (ISA260) 2013/14

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 Claire Pemberton, who can be contacted on 01522 553663 or claire.pemberton@lincolnshire.gov.uk.