

Regulatory and Other Committee

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

Report to:	Pensions Committee
Date:	09 October 2014
Subject:	Pension Fund External Audit ISA 260 Report

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 31st March 2014 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 22nd 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 (page 3) –
 - The External Auditor is pleased to report that their audit of the Fund's statements did not identify any material misstatements and there are no uncorrected misstatements.
 - The External Auditor states that the Authority has maintained the high standard in the quality of the accounts and supporting working papers.

- Officers dealt efficiently with audit queries and the audit process was completed within planned timescales.
 - The Fund's organisational control environment is effective overall and no significant weaknesses were identified in the controls over key financial systems.
- Section Three (page 4) – The External Auditor noted an error in the valuation of the private equity investments, which resulted in a misstatement of the net returns on investments of £2.5m. This was corrected in the final accounts.
 - Section Three (page 5) – The prior year recommendation was to obtain final membership numbers for the draft accounts before the 30th June deadline for draft statements. Given the dependence on the Pensions Administration provider, this is not possible. The membership numbers are updated ahead of the final publication of the report and accounts and before the governance report is presented to the Audit Committee.
 - Appendix 1 (page 7) – The External Auditor has made one recommendation following the identification of an incorrect exchange rate being used in the private equity valuations. This is to review all foreign exchange rates applied for consistency and accuracy. The External Auditor has classed this as a priority two, which if corrected would have an important effect on internal controls, but does not need immediate action. A solution was agreed between officers and KPMG and implemented with immediate effect.
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 31st March 2014 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.

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