

REPORT TO: SCRUTINY COMMITTEE – 28 SEPTEMBER 2016
REPORT ON: TAYSIDE PENSION FUNDS 2015/2016 ACCOUNTS AND AUDIT
REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES
REPORT NO: 304-2016

1 PURPOSE OF REPORT

To report on the outcome of the external audit of Tayside Pension Funds for the year to 31 March 2016. A copy of the draft External Auditor's Annual Audit Report (Report No 303-2016) and the 2015/2016 draft Audited Statement of Accounts for the Tayside Pension Funds (Report No 302-2016) are also to be considered by the Scrutiny Committee.

2 RECOMMENDATIONS

It is recommended that the Committee:

- i notes the contents of External Auditor's Annual Audit Report, in particular that KPMG LLP anticipate issuing an unqualified audit opinion
- ii instructs the Executive Director of Corporate Services to arrange for the Audited Statement of Accounts to be signed as necessary
- iii notes that the External Auditor's Report to Members will be considered by the Policy & Resources Committee and the Pension Sub-committee and Pension Board in due course, together with the Audited Statement of Accounts

3 FINANCIAL IMPLICATIONS

None.

4 MAIN TEXT

4.1 Introduction

External audit is one of the key methods by which the activities and performance of local government are independently scrutinised and reported upon. The external audit of Tayside Pension Funds for the financial year 2015/2016 was carried out by Mr Hugh Harvie, Partner, KPMG LLP. Local authority external auditors are appointed for a five year period and the financial year 2015/2016 marked the final year of KPMG's appointment at the City Council.

The 2015/2016 Unaudited Statement of Accounts was circulated to elected members and to KPMG on 29 June 2016, in line with the statutory deadline. The Accounts have been subject to a three week statutory public inspection period and no objections were received

4.2 External Auditor's Annual Audit Report

KPMG have now completed their audit work and, in accordance with auditing standards (ISA 260), they are now required to report the outcome of their work in relation to the financial statements. This requirement is addressed via their Annual Audit Report. The report is divided into the following five key areas:

- Executive Summary

- Financial Position
- Financial Statements and Related Reports
- Wider Scope
- Appendices

4.3 Conclusions

The External Auditor has undertaken a thorough and wide-ranging review of the financial statements and the processes and procedures around their preparation. As part of the audit, in relation to contribution income, they performed detailed controls testing over the contribution return reconciliations, and over starters and leavers. We also performed various substantive analytical procedures together with detailed cut-off testing to ensure contribution income has been recognised in the correct accounting period.

In relation to investment income, detailed substantive procedures were carried out with a sample of income transactions being vouched to fund manager reports. The movements in the values of the investment assets were verified by obtaining third party confirmation of 100% of the investments held at the year end.

To gain assurance over the valuation of the year end investment assets of both Funds, they obtained third party confirmations over 100% investment of the year end valuation of investments from fund managers directly and compared it to the valuation on draft financial statements. They tested all the investments and performed pricing audit procedures over listed investments. The year end bid values were assessed using their internal research tools to determine the reasonableness of the year end manager's valuations.

It is pleasing to note that the financial statements were to a high standard and it is anticipated that an unqualified audit opinion will be issued.

4.4 The Way Ahead

The audit of the 2015/2016 financial statements can now be concluded by the signing of Audited Statement of Accounts. This will be considered by the Policy & Resources Committee and the Pension Sub-Committee and Pension Board, together with the External Auditor's Annual Audit Report.

5 **POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6 **CONSULTATIONS**

The Chief Executive and Head of Democratic and Legal Services has been consulted on the content of this report.

7 **BACKGROUND PAPERS**

None

MARJORY M STEWART
EXECUTIVE DIRECTOR OF CORPORATE SERVICES
21 SEPTEMBER 2016