

REPORT TO: SCRUTINY COMMITTEE – 24 SEPTEMBER 2014
REPORT ON: TAYSIDE PENSION FUNDS 2013/2014 ACCOUNTS AND AUDIT
REPORT BY: DIRECTOR OF CORPORATE SERVICES
REPORT NO: 349-2014

1 PURPOSE OF REPORT

To report on the outcome of the external audit of Tayside Pension Funds for the year to 31 March 2014. A copy of the draft External Auditor's Annual Audit Report (Report No 348-2014) and the 2013/2014 draft Audited Statement of Accounts for the Tayside Pension Funds (Report No 347-2014) 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 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 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 2013/2014 was carried out by Mr David Watt, Director, KPMG LLP. Local authority external auditors are appointed for a five year period and the financial year 2013/2014 marked the third year of KPMG's appointment at the City Council.

The 2013/2014 Unaudited Statement of Accounts was circulated to elected members and to KPMG on 24 June 2014, 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
- Use of Resources

- Corporate Governance
- Financial Statements and Accounting
- 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, they undertook a review of the latest internal control reports issued by the Pension Funds' investment managers. The exceptions reported by the independent auditors of the investment managers were reviewed and they devised their audit approach based on the assurance gained through these reports. Exceptions reported were recognised as mainly internal control deficiencies bearing no direct impact on the Pension Fund and giving comfort over the evidence provided by the investment managers. Independent reviews of each of the reports as at the date of the audit work were also performed for extra comfort over the evidence. In order to introduce an element of unpredictability during the audit and gain comfort over the completeness of the reports, additional testing was performed where the information received from the investment managers was corroborated to the custodian reports that were independently received by them.

It is pleasing to note that the financial statements were to a high standard with no adjustments arising and it is anticipated that an unqualified audit opinion will be issued.

4.4 The Way Ahead

The audit of the 2013/2014 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 Investment Sub-Committee, 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