

ITEM No ...12 (a).....

REPORT TO: POLICY & RESOURCES COMMITTEE – 26 OCTOBER 2015
REPORT ON: TAYSIDE PENSION FUNDS 2014/2015 ACCOUNTS AND AUDIT
REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES
REPORT NO: 382-2015

1 PURPOSE OF REPORT

To report on the outcome of the external audit of Tayside Pension Funds for the year to 31 March 2015. A copy of the External Auditor's Annual Audit Report (Report no. 383-2015) and the 2014/2015 Audited Statement of Accounts for the Tayside Pension Funds (Report no. 384-2015) are also to be considered by the Policy and Resources 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 have issued an unqualified audit opinion

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 2014/2015 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 2014/2015 marked the fourth year of KPMG's appointment at the City Council.

The 2014/2015 unaudited Statement of Accounts were submitted to Scrutiny Committee earlier this year (Article XIV of the Minute of Meeting of the Scrutiny Committee 24 June 2015, Report no. 261-2015 refers). Following this meeting the accounts were submitted to KPMG, prior to the required statutory deadline of 30 June 2015. The accounts have since 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
- Strategic Overview
- Financial Statements and Accounting
- Benchmarking
- Governance and narrative reporting

- 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.

To gain assurance over the valuation of the year end investments 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 with no adjustments arising and an unqualified audit opinion has been issued.

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