

Audit & Governance Committee

Meeting to be held on 25 March 2013

Electoral Division affected: All

External Audit

Lancashire County Council and Lancashire County Pension Fund Annual Audit Plans 2012/13

Contact for further information:

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Executive Summary

The Annual Audit Plan sets out the nature and scope of work that the Authority's external auditor will carry out to discharge its statutory responsibilities, compliant with the Audit Commission Act 1998 (the Act) and the Code of Audit Practice for Local Government.

This audit plan is specific to the financial year 2012/13 and sets out in broad terms the programme of work required to

- give a financial opinion on whether the financial statements:
 - give a true and fair view of the financial position of Lancashire County Council and of the Pension Fund as at 31 March 2013 and of their expenditure and income for the year then ended;
 - have been prepared in accordance with proper accounting practice
- conclude whether the Authority has put proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources.

The Audit Plans, setting out the process that underpin the audit are set out at Appendix A and B

Recommendation

The Committee is asked to note the External Audit plans for the audit of the County Council and the County Pension Fund for 2012/13, and the fees therein.

Background and Advice

Attached at Appendix 'A' is the external auditor's Annual Audit Plan for the audit of the County Council for the year ended 31 March 2013. The Audit Plan has been produced in accordance with the Audit Commission's statutory Code of Audit Practice for Local Government bodies.

The Audit Plan sets out the main risk areas which the audit will focus on. These are:

Financial statements

- compliance with Code requirements;
- general Ledger upgrade and implementation of a new capital accounting module;
- payroll;
- operating expenses;
- journals;
- accounting estimates and judgements
- clarity of reporting

Value for money

- Financial resilience;
- One Connect Ltd;
- Waste Management PFI
- Treasury Management

The fee for the audit of the County Council, including the certification of claims and returns is £154,360 as reported to the Audit and Governance Committee meeting in January 2013.

Appendix B is the external auditor's plan for the audit of the Lancashire County Pension Fund. The plan sets out the main risk areas which the audit will focus on. These are:

- the appointment of 5 new fund managers and transfer of investments to them to use in new global equities portfolios
- increasing complexity of the internally managed portfolio
- widening of the company vehicle used to make infrastructure investments
- work undertaken to investigate and resolve the unexplained imbalance on the pension fund bank reconciliation last year
- the three key elements of the fund accounts being investments, contributions and benefits payable.

The fee for the audit of the pension fund has been set at £41,505. This is £7,336 higher than the scale fee of £34,169 set by the Audit Commission as notified to you in the external auditor's letter of 16/12/2012. The external auditor considers that the changes in the investment portfolio of the pension fund resulting in the transfer of significant funds between fund managers, an increase in the overall number of managers and the increasing complexity of the financial instruments involved have given rise to additional risks which require additional audit work. The revised fee is £25,495 (38%) less than the audit fee in the previous year of £67,000. (The scale fee set by the Audit Commission for pension fund audits is based on a formula linked to the size of the net assets of the fund and has no specific risk factors linked to it).

Karen Murray, Engagement Lead, will attend the meeting to present the report and answer any questions.

Consultations

The reports have been agreed with the County Treasurer.

Implications

This item has the following implications, as indicated:

N/A

Risk management

No significant risks have been identified.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Directorate/Tel
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N/A