

**DERBYSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE**

**7 February 2017**

**Report of the Director of Finance**

**ISA 260 REPORT - UPDATE ON RECOMMENDATIONS**

**1 Purpose of the Report**

This report provides Members with an update of the actions taken in response to the external auditors' recommendations outlined in the ISA 260 Report 2015-16.

**2 Information and Analysis**

On 21 July 2016, the external auditors presented their 'Report to those charged with Governance (ISA 260) 2015-16', which summarised the key issues identified during the audit of the financial statements for the year ended 31 March 2016 for both the Council and Pension Fund accounts. The report contained three recommendations, which were:

- Related Party Disclosures – Document a review of the related party declarations made by individual members/officers to evidence whether corresponding related party disclosures need to be made in the accounts.
- Adjustments between Accounting Basis and Funding Basis – Consider changing the approach to the preparation of this note in the accounts as some entries which had been aggregated required adjustment in 2015-16. The adjustments may benefit from additional explanatory text.
- Pension Fund Change of System – Continue to implement the plan to ensure the new Pension Fund administration system is producing accurate data.

In response to the recommendations made, the following actions are being taken:

**1. Related Party Disclosures**

The 2016-17 review of related party declarations made by individual members/officers will be documented in greater depth, to provide additional

clarity as to whether matters disclosed should be included in the related party disclosures note in the accounts.

## **2. Adjustments Between Accounting Basis and Funding Basis**

The approach to the preparation of the Adjustments Between Accounting Basis and Funding Basis note in the accounts is being updated for 2016-17, with a new template working paper designed to ensure that movements are appropriately categorised under the correct headings.

## **3. Pension Fund Change of System**

The only outstanding issue in respect of the change in Pension Fund Administration System in 2014-15 relates to all records on the new Pension Fund Administration System being fully updated to be complete and accurate. Whilst good progress has been made, further action is required to fully address the issues involved to ensure all relevant information is held on the new system. The external auditors did not find evidence of incorrect pensions being paid but further work is needed and the Council will continue to implement its Plan to ensure that accurate data is being produced. The measures taken to improve the implementation and performance of the system are as follows:

- Restructuring the team to enable specialist resource to focus on system implementation and development.
- Discriminating between 'project work' and 'business as usual', ensuring that specialist resource is freed up.
- Meeting with system provider representatives at the following levels to explain issues and expectations:
  - Director of Finance has met twice with system provider Managing Directors;
  - Regular Project Board meetings reviewing progress and determining direction; and
  - Regular account management meetings at operational level.
- Helping to set up a system provider LGPS User Group and sub User Group for technical matters; supplying the Chair for the first year of the sub User Group, hosting the inaugural meeting, continuing to attend and contribute.
- Working with other users, including site visits, to develop solutions.
- Developing and delivering training internally on system use, as well as buying training in, where appropriate.

## **3 Considerations**

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and

diversity, human resources, environmental, health, property, transport and social value considerations.

#### **4 Background Papers**

Files held by the Director of Finance.

#### **5 Officer's Recommendation**

That Audit Committee notes the actions being taken in response to the external auditors' recommendations outlined in the ISA 260 Report 2015-16.

PETER HANDFORD

Director of Finance