

Appendix 1

Response to the Report to those Charged with Governance (ISA260)

We are pleased to note that the PwC expect to issue an unqualified opinion on the accounts and that their work should be concluded by the statutory deadline of 30th September.

We note the comments set out in the ISA260 report and are generally in agreement with the conclusions. In response we have set out our comments below in order to give further clarity to issues raised or to set out our proposed course of action.

| ISA Reference | response |
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| Page 5 Significant matters | <p>The prior year issue relating to component accounting has been resolved. Changes to our accounting policies were adopted for 2011/12 and were fully discussed with PwC in advance of implementation. The matter is described more fully in page 9 to the report and we are pleased to note that PwC have no matters to which they wish to draw to the member's attention.</p> |
| Page 9 Government and Non government Grants | <p>We have revised the draft financial statements in order to reflect the accounting treatment agreed with the auditors. This is essentially a technical accounting matter relating to Balance Sheet disclosure. Grants received but not yet applied are now disclosed as reserves (where previously recorded as liabilities). This has no impact upon our useable revenue reserves or the sums allocated for future capital spending.</p> <p>It will be necessary to review the conditions associated with all unspent grants by the end of 2012/13 to ensure that the correct disclosure is adopted.</p> |
| Page 10 Separation of bank accounts | <p>The account will be utilised in 2012/13 in order to reflect the net cash movements of the Fund.</p> <p>All pension fund transactions are currently recorded in a separate ledger account and are properly reconciled. Interest is allocated on the net balance in accordance with a formal agreement between the Fund and the Council.</p> <p>The ability of the Oracle system to allow more than one bank account to be linked to the Accounts Payable, Accounts Receivable and Payroll system is being investigated by Business Systems. Subject to the Oracle system being able to link the feeder systems with more than one bank account for the Pension entity (02), a plan of work will be put in place to update the feeder systems to post the transactions from the Pensioners payroll directly to the Pension Fund bank account, together with all invoices processed for pension's expenditure. A review of the most transparent method of</p> |

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| | posting employers and employees contributions is also being reviewed to ensure that contributions will also be posted in a timely way to the pensions bank account. The aim is to map the Oracle system to the Pension bank account by the end of December. |
| Page 10 Monitoring of Receipts of Contributions | We disagree with the implication that we do not monitor these receipts of contributions. The receipts are monitored as they arrive, written records of the receipts for the last 3 years do exist against each employer |
| Page 11 Financial Instrument Disclosures | The final paragraph refers to the statements made in relation to the specific risks inherent within the financial instruments of the pension fund. We believe that the expanded pension fund disclosures included in notes 14 and 15 explain those risks and provide sensitivity analysis relating to the extent the fund's risk exposure. These disclosures are set out in accordance with the relevant section of the code of practice. |
| Page 16 - Appendix 1 Summary of uncorrected Mis-statements | The sums quoted in the table are not the values of the errors identified but are extrapolations based upon statistical sampling (the purpose of which is to demonstrate that the error is not indicative of a material error) |
| Page 17 - Appendix 2 Summary of Significant Internal controls Listing of creditor and accrual listings from Oracle | The recommendation is agreed. Options to produce the report will be investigated and explored to determine the most appropriate way forward |
| Page 17 - Appendix 2 Summary of Significant Internal controls Monthly payroll systems | <p>The recommendation is agreed and already implemented. Reconciliations are taking place on a regular basis.</p> <p>Gross to net to P35 is monthly. Gross to net to costing to GL is quarterly. Clearance of the suspense account is quarterly.</p> <p>The evidence log for 12/13 is available. An automated report for the Gross to net to GL reconciliations is being developed.</p> |