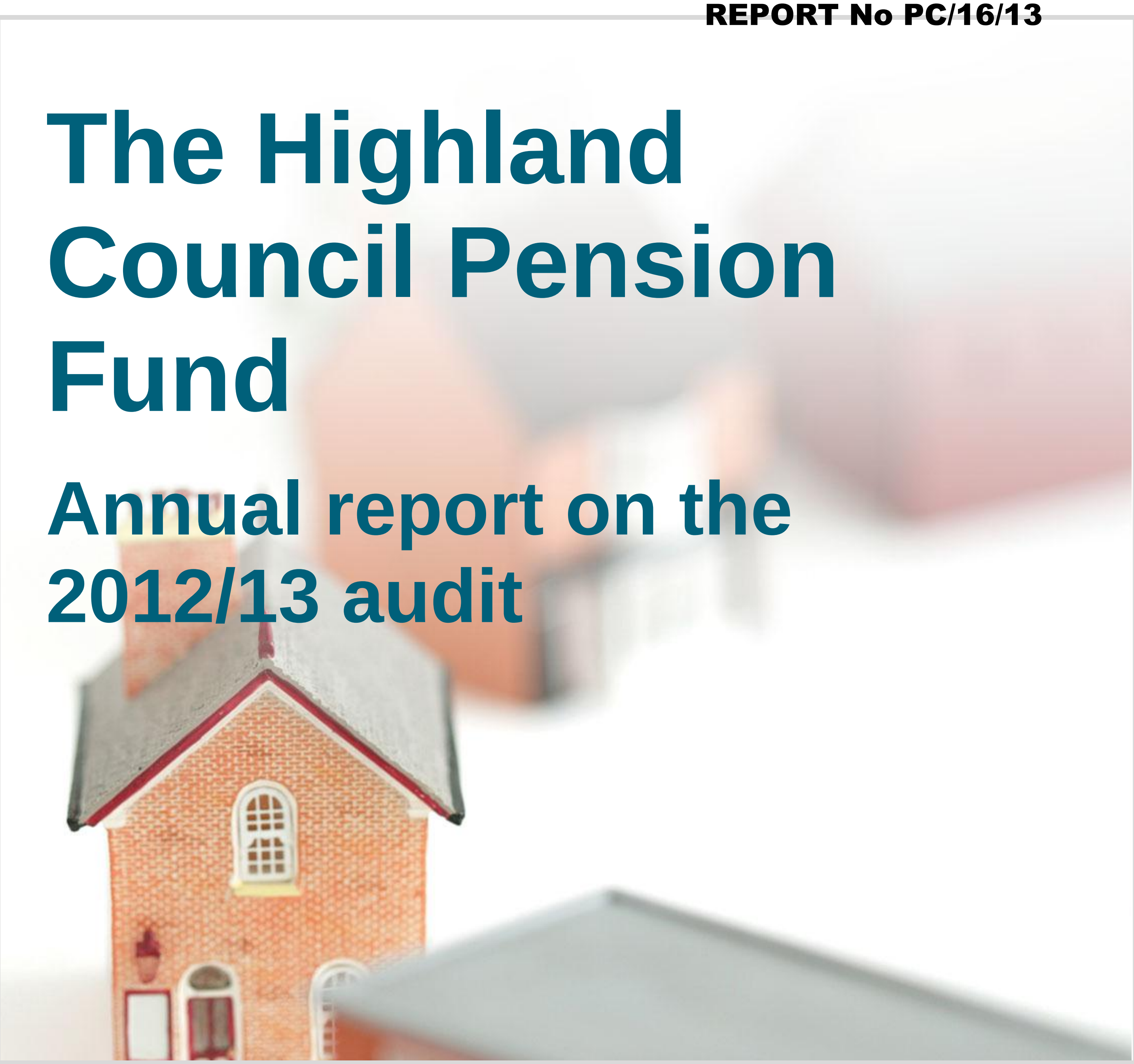
AGENDA ITEM 5
REPORT No PC/16/13

The Highland Council Pension Fund

Annual report on the 2012/13 audit



AUDIT SCOTLAND

Prepared for The Highland Council as administering body for the Highland Council Pension Fund and the Controller of Audit

October 2013

Contents

Key Messages

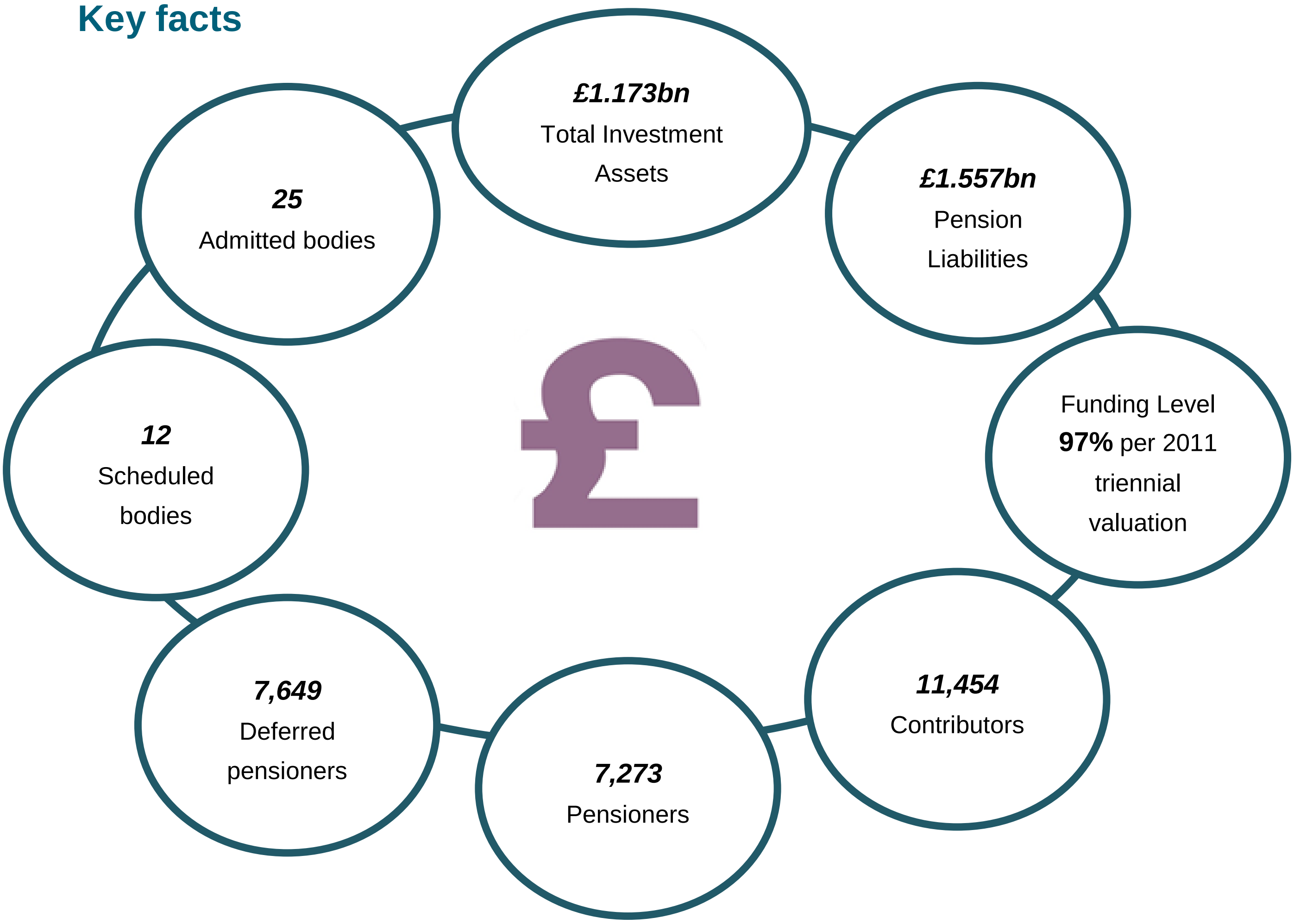
2012/13 audit findings

During 2012/13 we looked at the key strategic and financial risks faced by the Highland Council Pension Fund (the Fund). We audited the financial statements and looked at aspects of governance, use of resources and performance. This report sets out our main findings, summarising key outcomes from the 2012/13 audit and the outlook for the period ahead.

We have given an unqualified opinion that the financial statements of the Highland Council Pension Fund for 2012/13, give a true and fair view of the financial transactions during the year ended 31 March 2013 and of the amount and disposition of its assets and liabilities as at that date.

The reported weakness in the accounting and internal control systems reported in last year's audit regarding the operation of separate bank accounts for the Fund was addressed in 2012/13. Procedures have now been amended to ensure transactions are recorded in the correct bank accounts as far as practicable.

Key facts



A triennial funding valuation was undertaken by the scheme actuary as at 31 March 2011. The valuation established the extent to which the scheme's assets met its liabilities and concluded that the scheme was 97% funded; a slight decline from the 2008 valuation. As a consequence of the reduced funding level, the common contribution rate was increased from 250% to 280% (representing 17.3% of pensionable payroll) of employee contributions with effect from 2012/13. The next triennial valuation is due at 31 March 2014.

As the administering body, The Highland Council has statutory responsibility for the administration of the Fund. The Pension Committee agreed an updated Funding Strategy Statement (FSS) including a statement on key risks and controls relating to the Fund in February 2013. An updated Governance Policy Statement (GPS) for the Fund was submitted to the Pensions Committee in May 2013. The GPS adopts (and provides links to) the Highland Council's policies on whistleblowing and anti-fraud/anti-corruption policies for the Fund which, after review by officers, were considered suitable for adoption by the Fund without amendment.

During 2012/13, the Fund achieved an annual return on investments of 14.86% against its customised benchmark of 13.98%. This out-performance of the benchmark mainly resulted from the performance of the global and UK equity portfolios held by one investment manager. Nevertheless, fund managers' performance is kept under regular review and we note the Fund's decision to replace one of its fund managers. Transition of £127.5 million of investment assets to the new manager occurred during the 2012/13 financial year. This process was well managed by the officers of the council and the transition manager.

The Fund now fully complies with the Scottish Government's Guidance on the governance compliance statement. Following consultation with employers, the pension administration strategy was implemented in July 2012 and performance against this reported in the Fund's 2012/13 annual report.

Legislation enacting the auto enrolment of eligible job holders into workplace pensions came into effect in October 2012. To date, Highland Council is the only scheduled body that has yet passed its staging date to apply these changes and opted to auto enrol all employees into the local government pension scheme from April 2013. The impact of this change in legislation is that there will likely be more active employee members contributing to the Fund, subject to employees exercising their option to opt out of a pension. We understand that to date, a lower opt out rate for auto enrolment has been experienced in Highland Council than was originally anticipated, which would represent a positive increase in contributions to the Fund.

Outlook

These remain challenging times for pension fund management. The global economic outlook and increased levels of volatility in the financial markets present particular problems for investment management and strategy. As investment performance is key to the funding position of the Local Government Pension Scheme (LGPS), this may impact on employer contributions in the medium term.

The UK government has announced its intention to include a move to career average pay and an automatic link between normal retirement and state pension age. Discussions on these reforms, which are due to take effect from 2015, are ongoing in Scotland, but are likely to result in some changes to defined benefit arrangements with the possible introduction of a career average re-valued earnings (CARE) pension scheme. These changes have already been agreed for the LGPS in England and Wales and will commence from 1 April 2014.

As noted, the Highland Council is the only scheduled body employer in the Fund presently auto enrolling its employees. The next 12 to 18 months will be crucial in terms of establishing the full picture when the other scheduled and admitted bodies to the Fund start their auto enrolment process.

Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of The Highland Council Pension Fund (the Fund). The purpose of the annual audit report is to summarise the auditor's opinions (i.e. on the financial statements) and conclusions, and to report any significant issues arising. The report is divided into sections which reflect the public sector audit model.

2. Appendix A provides details of our reports issued during 2012/13. We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of the Fund.

3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that those charged with governance understand the risks and have arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.

4. This report is addressed to the Highland Council, as administering body for the Highland Council Pension Fund, and the Controller of Audit. It should be made available to the public and other stakeholders. Audit is an essential element of accountability and the process of public reporting. This report will be published on our website after consideration by those charged with governance.

5. Management of an audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

6. The co-operation and assistance given to us by officers with responsibility for the Fund is gratefully acknowledged.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.

8. Auditors are required to audit financial statements and give an opinion on:
   - whether they give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2013 and of the amount and disposition at that date of its assets and liabilities
   - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.

9. Auditors review and report on, as appropriate, other information published with the financial statements, including the Foreword by the Director of Finance, Governance Compliance Statement and Statement on the System of Internal Financial Control. This section summarises the results of our audit of the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of The Highland Council Pension Fund for 2012/13 give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2013 and of the amount and disposition at that date of its assets and liabilities.

Legality

11. Through our planned audit work we consider the legality of the Fund's financial transactions. In addition, the Director of Finance has confirmed that, to the best of his knowledge and belief, the financial transactions of the Fund were in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to the attention of those charged with governance.

Governance compliance statement

12. The Fund now fully complies with the Scottish Government Guidance on the governance compliance statement. Following consultation with employers, the pension administration strategy was implemented in July 2012 and performance against this reported in the Fund's 2012/13 annual report.

Statement on the system of internal financial control

13. We are satisfied with the disclosures made in the Statement on the System of Internal Financial Control and the adequacy of the process put in place by the Fund to obtain assurances on the system of internal control.

Annual Report

14. The Scottish Government's Guidance requires that the annual report for the Fund incorporates the following:

- the financial statements
- a report about the management and financial performance of the Fund during the year, a report explaining the authority's investment policy and reviewing the performance during the year of the investments of the Fund, and a report of the arrangements made during the year for the administration of the funds
- a statement by the actuary of the level of funding disclosed by their valuation
- the governance compliance statement, funding strategy statement, and statement of investment principles (or details of where these statements may be obtained)
- the extent to which levels of performance set out in the pension administration strategy have been achieved
- any other material which the authority considers appropriate.

15. We are satisfied that the annual report incorporates the other areas required by Scottish Government Guidance and that these are consistent with the audited accounts.

Accounting issues

16. Local authority bodies in Scotland are required to follow the 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom (the 2012 Code). Overall, we are satisfied that the Fund prepared its 2012/13 financial statements in accordance with the 2012 Code.

Accounts submission

17. The Fund's unaudited financial statements and annual report were submitted to the Controller of Audit by the deadline of 30 June 2013. This enabled us to conclude the audit and certify the financial statements by 30 September 2013.

Presentational and monetary adjustments to the unaudited accounts

18. In accordance with International Standards on Auditing 260 'Communication of audit matters to those charged with governance', we reported the conclusions of our audit to the Pension Committee on 22 August 2013. A small number of presentational changes were identified during the audit and were corrected resulting in the amendment of notes to the accounts.

Significant Accounting Issues

19. In our view, the following issue requires to be brought to your attention regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.

20. The Fund accounts include a debtor of £4.482 million for two months of contributions which had still to be received from Highland Council at the year end. We would expect the council to pay its contributions promptly and only one month of contributions to be outstanding at the year end. We have been advised that this was an oversight and that contributions will be paid promptly to the Fund in the future. The council's treasury team will also undertake regular monthly checks to ensure contributions income is received as expected.

Refer Action Plan no 1

Financial position

21. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.

22. Auditors consider whether audited bodies have established adequate arrangements and examine:

- financial performance in the period under audit
- compliance with any statutory financial requirements and financial targets
- ability to meet known or contingent, statutory and other financial obligations
- responses to developments which may have an impact on the financial position
- financial plans for future periods.

23. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial performance 2012/13

24. The overall position at 31 March 2013 is that the fund has net assets of £1,185 million. The financial statements do not take account of the obligations to pay pensions and other benefits which fall due after the end of the year. The actuarial position of the scheme, which does take account of such obligations, is disclosed in the Notes to the Accounts.

25. The actuarial value of promised retirement benefits at the accounting date has been estimated by the Fund actuary as £1,557 million (2011/12 £1,417 million), giving a net liability of £397 million as at 31 March 2013 (£398 million as at 31 March 2012). The liability is an estimate of the present value of the future liabilities of the Fund, based on the Fund actuary's assumptions regarding the future discount rate, longevity of members and rate of inflation. This figure is used by the Fund for statutory accounting purposes and is not used for calculations undertaken for funding purposes and setting contributions payable to the Fund (where different discount rate assumptions are used).

Funding position

26. The most recent triennial valuation (as at 31 March 2011) considered by the Pension Committee in February 2012 reported a funding level of 97% (a funding deficit of £33 million). As a result, the actuary has calculated that the average employer contribution rate needs to increase from 15.7% to 17.3% of pensionable pay with effect from 2012/13 in order to restore the funding position to 100% over the next 20 years.

27. The Highland Council, as the administering authority, monitors the funding position on a regular basis as part of its risk management programme. The funding level (75%) (72% in 2011/12) set out in Note 18 to the 2012/13 accounts reflects an improving position during 2012/13 as a consequence of the improvement in global equity markets. This interim valuation uses different actuarial assumptions to estimate the present value of the future liabilities of the Fund for accounting purposes (IAS 19 basis) and so differs from the funding level set out in paragraph 26 (above). It does not impact on the contribution rates set at the triennial valuation.

28. The next actuarial valuation is due at 31 March 2014. The Funding Strategy Statement will also be reviewed at that time.

Budgetary control

29. The Fund does not prepare a separate annual budget for its administration and external investment costs. These are instead subsumed within the Finance Department's revenue budget and monitored as part of the overall Finance budget. In 2012/13, the Fund incurred £0.842 million of administrative expenses, including £0.790 million of apportioned Central Support Services costs. The current budget setting and monitoring arrangements do not enable comparison of these costs against budget within the Fund itself.

30. Cash flow monitoring reports are prepared by the Fund on an on-going basis to ensure that sufficient cash balances are held to meet on-going pension commitments, and that any excess balances are passed periodically to the Fund's investment portfolios. The Fund maintained a cash surplus position throughout the year, and during 2012/13 excess cash balances of more than £2.5 million were transferred to the Fund's global custodian for investment. Positive cash balances will also be used during 2012/13 to invest in the Fund's new private equity investments.

Outlook

31. Currently the Fund's monthly cash inflows exceed the required outflows, resulting in a surplus cash position throughout the year. However, as the Fund matures, subject to the impact of auto enrolment, its membership profile could contain a higher proportion of pensioner members to active contributing members. This would mean at some point in the future that the Fund's monthly income may not be sufficient to meet the Fund's monthly commitments, requiring the use of investment income or additional member contributions to pay pension benefits. The administering authority has commissioned and considered a report from the Fund's actuary on 'maturity' to allow the position to be reviewed. The report concluded that, subject to stable membership and investment income yield assumptions, the Fund should continue to be a net investor (i.e. surplus cash flow position) for around the next 10 years. The administering authority plan is to review the position over the short to medium term, should any change in circumstances alter the maturity profile.

32. Looking ahead, it is clear that the outlook for public spending for the period 2013/14 to 2015/16 remains very challenging. There are a number of on-going developments in the public sector pension environment that could have a significant impact on the operation of local government pension schemes. The UK government has announced its intention to include a move to career average pay and an automatic link between normal retirement and state pension age. Discussions on these reforms, which are due to take effect from 2015, have already commenced. Heads of Agreement have been drawn up to introduce a new Scottish Local Government Pension Scheme (LGSPS) from 1 April 2015. Changes to the LGPS in England and Wales take effect from 1 April 2014.

33. The main benefit in any pension scheme is expressed in the form of the accrual rate. This determines the amount of the pension paid on retirement. The current accrual rate in the Scottish LGPS is 60ths. One of the advantages of a career average scheme is by spreading the benefits more evenly, it is possible to improve the value of pensions in payment through a better accrual rate. For most public sector pension schemes this means an accrual rate of around 50ths, in the case of the England & Wales LGPS, 49ths. The base line proposed for Scotland is 49ths. Member contributions are proposed to remain at 6.3% on average

34. Given the financial restraints experienced by local government and the uncertainty associated with future grant allocations and public sector reform, there is the potential for further workforce reduction schemes and recruitment freezes to impact on the pension funds.

Governance and accountability

35. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.

36. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.

37. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:

- corporate governance and systems of internal control
- the prevention and detection of fraud and irregularity
- standards of conduct and arrangements for the prevention and detection of corruption.

38. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

39. As the administering body, The Highland Council has statutory responsibility for the administration of the Fund. Its functions are carried out in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 and Superannuation Act 1972.

40. Responsibility for the overall strategic direction of the Fund is delegated to the Pensions Committee. This Committee has overview of investments, funding and member benefit matters. An Investment Sub-Committee has also been established to take responsibility for investment matters. The Highland Council's responsibilities as an employer participating in the Fund are dealt with by the Council's Finance, Housing and Resources Committee.

41. In our Review of Internal Controls 2011/12 report we noted that the establishment of the Pensions Committee provided a good opportunity to review existing governance arrangements to ensure that they are applicable to the needs of a local government pension scheme. We identified a number of areas where existing arrangements could be improved and management agreed an action plan to address these. Progress against the agreed actions is noted in paragraph 42 to 43 of this report.

42. The Pension Committee agreed an updated Funding Strategy Statement (FSS) including a statement on key risks and controls relating to the Fund in February 2013. A commitment was also given at that meeting to incorporate any changes arising from CIPFA's updated guidance on 'Managing risk in the LGPS' into the next review of the FSS. It is intended to develop a Fund specific risk register as part of the next review of the FSS.

Refer to action point 2

43. An updated Governance Policy Statement (GPS) for the Fund was submitted to the Pensions Committee in May 2013. The GPS adopts (and provides links to) the Highland Council's policies on whistleblowing and anti-fraud/anti-corruption policies for the Fund which, after review by officers, were considered suitable for adoption by the Fund without amendment. The GPS incorporates a section on duties of Fund members, and explains their "quasi trustee" role.

Internal control

44. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.

45. The Fund's financial systems run alongside those of the administering authority and its financial ledger and payroll system are used to process transactions. There are specific systems and lines of responsibility for pension administration and for investment transactions.

46. As part of our work, we took assurance from key controls within the Fund's systems and also placed reliance on the Head of Internal Audit and Risk Management's opinion that 'reasonable assurance can be placed upon the adequacy and effectiveness of the Pension Fund's internal control systems for the year to 31 March 2013.' The results of our review of internal controls were reported to the Pensions Committee in August 2013.

47. Last year we reported one material weakness in the accounting and internal control systems identified during the audit. Regulation 6 of the investment regulations required administering authorities to set up separate bank accounts for pension fund money with effect from 1 April 2011. Processes were revised during 2012/13 to ensure that as far as practicable pension fund transactions are recorded in the correct bank accounts in future years.

48. The audit process did not identify any other material weaknesses in the accounting and internal control systems which could adversely affect the ability to record, process summarise and report financial and other relevant data so as to result in a material misstatement in the accounts.

Prevention and detection of fraud and irregularities

49. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements. The Fund has adopted the Highland Council's policies on prevention and detection of fraud, along with its whistleblowing policy. These policies were considered suitable for adoption by the Fund without amendment. We are not aware of any other specific issues relating to this aspect of the audit that we need to identify in this report.

NFI in Scotland

50. Audit Scotland has coordinated another major counter-fraud exercise working together with a range of Scottish public bodies, external auditors and the Audit Commission to identify fraud and error. These exercises, known as the National Fraud Initiative in Scotland (NFI), are undertaken every two years as part of the statutory audits of the participating bodies. The latest exercise started in June 2012 and we will report on findings as part of our 2013/14 audit once the investigation of data matches by the fund is completed.

Standards of conduct and arrangements for the prevention/ detection of bribery and corruption

51. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place.

52. Our Review of Internal Controls 2011/12 report recommended that a tailored Code of Conduct, or handbook, should be prepared for members of the Pensions Committee and Investment Sub-Committee to enable them to be clear about their duties, roles and responsibilities. An updated Governance Policy Statement (GPS) for the Fund was submitted to the Pensions Committee in May 2013 which incorporated a section on duties of Fund members, and explains their "quasi trustee" role.

Outlook

53. Given the complex nature of pensions and investments, it is important that members of the Pensions Committee and the Investments Sub-Committee continue to receive regular training and support to enable effective scrutiny. There are likely to be regular legislative and regulatory changes over the coming years, particularly with changes to the local government pension scheme in Scotland subject to ongoing negotiation between CoSLA and trade unions, so it is essential that members continue to be kept up to date with emerging issues. It is noted that ongoing training is delivered through the Pensions and Investment-Sub Committee, and other standalone events and seminars. The Pensions Committee is also due to receive a report shortly on further improvements to training and use of the CIPFA Skills and Knowledge framework.

Best Value, use of resources and performance

54. Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.

55. As part of their statutory responsibilities, the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:

- a performance audit which may result in the publication of a national report
- an examination of the implications of a particular topic or performance audit for an audited body at local level
- a review of a body's response to national recommendations.

56. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments

57. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.

58. This section includes a commentary on the Fund's performance management arrangements. We also note any headline performance measures used by members and comment on any relevant national reports.

Management arrangements

Investment performance

59. The performance of pension fund investments is overseen by an independent investment advisor and managed by the specialised fund managers. The independent investment advisor was Hymans Robertson up to and including 31 March 2013. AON Hewitt has been appointed to replace Hymans Robertson from 1 April 2013.

60. Performance monitoring is provided by the Fund's Global Custodian, Northern Trust. Performance against benchmark targets is reviewed on a quarterly basis by the Corporate Budgeting, Taxation and Treasury team and reported to each meeting of the Investment Sub-Committee. One of the Fund's managers is also asked to attend each Investment Sub-Committee meeting to enable members to scrutinise performance.

Administration performance

61. The Highland Council has a local performance indicator measuring the unit cost per scheme member (measured against average scheme membership). Performance targets for service standards and key administration tasks are included in the pension administration strategy which was implemented in July 2012. Performance against these targets was reported in the Fund's 2012/13 annual report.

Overview of performance in 2012/13

62. During 2012/13, the Fund achieved an annual return on investments of +14.86% against its customised benchmark of +13.98%. This out-performance of the benchmark mainly resulted from the performance of the UK and global equity portfolio held by one investment manager. The table below shows the performance of the Highland Council Pension Fund over the last 1 to 5 years.

Table 1: Investment Performance

	1 Year	3 Years	5 Years
Fund	14.86	9.5	6.99
Benchmark	13.98	8.6	6.84

Source: Highland Council Pension Fund Q1 2013 performance report prepared by Custodian

63. Alliance Bernstein was replaced as fund manager following a review of the investment performance. The Fund has appointed a new manager, Pyrford International, for its active global equity mandate. Investment assets of £127 million held by Alliance Bernstein were transferred to the new manager by November 2012.

64. Legal and General Investment Management were appointed to manage the transfer of these assets. Transfers between fund managers need to be carefully managed to ensure that all assets held by the previous fund manager are transferred to the new fund manager in a controlled manner. We reviewed controls over this transfer as part of our 2012/13 audit and found the process to be well managed by council officers and the transition manager.

65. Partners Group was appointed to manage the Fund's new private equity mandate. The first cash advance of EUR 12.479 million (£10.236 million) to the new manager took place in April 2012. The Fund has made a EUR 50 million commitment to this new mandate, although it is expected that it will take several years before this commitment is fully drawn down.

National performance reports

66. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year which may be of interest to members and officers are detailed in Table 2.

Table 2: A selection of national performance reports 2012/13

• An overview of local government in Scotland – Challenges and change in 2012. • Learning the lessons of public body mergers.	• The National Fraud Initiative in Scotland. • How Council's work: using cost information to improve performance. • Managing performance: are you getting it right?

Source: www.audit-scotland.gov.uk

67. Although these reports are generally available to members through The Highland Council (as administrating body), the Pensions Committee should consider introducing a mechanism to ensure that all national reports are reviewed and that any findings relating to governance or performance management of the Fund are brought to their attention.

Refer Action Plan no. 3

Outlook

68. There continues to be on-going volatility and uncertainty in the global markets. The European sovereign debt crisis has been an area of particular concern for fund managers with crises in Greece and Spain. While economies continue to implement improvement measures, the outlook, at least in the short term, is likely to remain volatile.

69. Meeting performance targets will continue to become more challenging in the coming years. Investment targets are set based on advice from investment advisors and standard industry benchmarks. The Fund will have to remain vigilant, and ensure that they have the right diversification of investment assets to minimise exposure to risk whilst still delivering the required returns.

Appendix A: audit reports

External audit reports and audit opinions issued for 2012/13

Title of report or opinion	Date of issue	Date presented to Pensions Committee
Annual audit plan	February 2013	21 February 2013
Internal controls report	June 2013	22 August 2013
Report on financial statements to those charged with governance	August 2013	22 August 2013
Audit opinion on the 2012/13 financial statements issued	30 September 2013	14 November 2013
Report to Members on the 2012/13 audit	October 2013	14 November 2013

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	20	***Risk 1:*** *Pension contributions deducted through the Highland Council payroll system were not being remitted timeously to the Fund bank account.*	**Recommendation implemented** Payroll now have checks in place to ensure that the Highland Council contributions payment instruction is forwarded to the Treasury team in line with the payroll timetable. The Council's Treasury team also now undertake a monthly check to ensure the Highland Council contributions are paid. Interest will be calculated and paid by the Highland Council on the contributions that were paid late.	Payroll and Pensions Manager and Service Manager (Corporate Budgeting, Taxation and Treasury)	Completed
2	42	***Risk 2:*** *There is no specific risk register for the pension fund.*	A fund specific risk register will be developed as part of the next review of the Funding Strategy Statement.	Director of Finance	31 March 2014

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	67	***Risk 3:*** *The Pensions Committee should consider introducing a mechanism to ensure that all national reports are reviewed and that any findings relating to governance or performance management of the Fund are brought to their attention.*	National reports will be reviewed and members of the Pensions Committee will be made aware of relevant reports.	Head of Accounting and Budgeting	31 March 2014