

## **The Highland Council Pensions Committee**

Minutes of Meeting of the Pensions Committee held in the Council Chamber, Council Headquarters, Glenurquhart Road, Inverness on Thursday 14 August 2014 at 1.30 pm.

### **Present:**

Mr D Fallows	Mr C Macaulay
Dr D Alston	Mr A Mackinnon
Mr K MacLeod	Mr B Thomson
Mrs H Carmichael	Mr E Macniven
Mr R Laird	Ms L MacKay

### **Non Members also Present:**

Ms M Smith

### **Officials in attendance:**

Mr D Robertson, Head of Corporate Finance, Finance Service  
Mr C MacCallum, Payroll & Pensions Manager, Finance Service  
Mr N Rose, Head of Internal Audit and Risk Management  
Ms M Bruce, Senior Audit Manager, Audit Scotland  
Mrs L Dunn, Principal Administrator, Chief Executive's Service  
Ms A Macrae, Committee Administrator, Chief Executive's Service

**An asterisk in the margin denotes a recommendation to the Council. All decisions with no marking in the margin are delegated to the Committee.**

#### **1. Apologies for Absence Leisgeulan**

Apologies for absence were intimated on behalf of Mr N Donald, Mr J Ford and Mr T Maclennan.

#### **2. Declarations of Interest Foillseachaidhean Com-pàirt**

There were no declarations of interest.

#### **3. Recess Powers Cumhachdan Fosaidh**

The Committee **NOTED** that the Recess Powers granted by the Council at its meeting on 26 June 2014 had not been used in respect of the Committee.

**4. Audit Plan: Agenda Note from Audit Scotland**  
**Plana Sgrùdaidh: Nòta Clàr-gnothaich bho Bhuidheann Sgrùdaidh na h-Alba**

The Committee was advised that the Annual Audit Plan for the 2013/14 audit had been finalised on 27 March 2014. The Plan set out the planned audit activity for 2013/14 based on an analysis of the risks facing the Pension Fund. The audit issues and risks were summarised in the report, together with the assurances provided by the Pension Fund's management as to how these risks would be managed and mitigated. A timetable for the completion of the 2013/14 audit was also included within the Plan.

It was further reported that as the next meeting of the Pensions Committee was not until August 2014, it had been agreed that the plan would be circulated to Members of the Committee with the offer that the external auditor, and Council officers, would be happy to respond to any questions Members might have. The Plan was circulated on 9 April 2014 by email and no questions had been received from Members.

The Committee **NOTED** the Pension Fund's Annual Audit Plan 2013/14 which had been circulated to Members in April 2014.

**5. Report to those Charged with Governance on the 2013/14 Audit**  
**Aithisg dhaibhsan fo Uallach Riaghlaidh air Sgrùdadh 2013/14**

There was circulated Report No. PC/04/14 by Audit Scotland which set out for the Committee's consideration the relevant matters arising from the audit of the pension fund's financial statements for 2013/14 that required reporting under ISA 260. The report explained that ISA 260 required auditors to communicate matters relating to the audit of the financial statements to those charged with governance of a body in time to enable appropriate action.

The Senior Audit Manager advised that her report represented a position statement in regard to the current status of the Audit. She advised that a number of issues had yet to be resolved, including the operation and monitoring of the intercompany accounts used to manage transfers between the Council and the Pension Fund. She advised that until these matters were resolved then Audit Scotland was unable to complete the Audit and form an opinion on the accounts.

During discussion the following issues were raised:-

- concern was expressed that the issue around the operation and monitoring of the intercompany accounts used to manage transfers between the Council and the Pension Fund was a recurring issue which had been raised previously by Audit Scotland;
- it was proposed that in future a meeting of the Committee be scheduled towards the end of September to allow officers a sufficient period of time to consider and respond to any issues

raised by Audit Scotland, prior to a report on this item being brought to Members;

- in regard to the current year it was anticipated that officers would continue to work with Audit Scotland to ensure that any outstanding matters were resolved and the ISA260 could be signed off by the audit deadline of 30 September 2014;
- that Members consider whether a special meeting of the Pensions Committee be held or alternatively whether it be delegated to the Director of Finance in consultation with the Chair, to sign off on the final ISA260 report prior to the audit deadline of 30 September 2014; and
- clarification was sought and provided on the reason why Parklands had been members of the Pension Scheme for less than one year.

Thereafter, the Committee **NOTED** the report and **AGREED** that:-

- i. it be delegated to the Director of Finance in consultation with the Chair to sign off on the final ISA260 report prior to the audit deadline of 30 September 2014, on the basis that Members be asked to homologate the action taken at the next meeting of the Committee on 14 November 2014; and
- ii. in future a meeting of the Committee be scheduled in September to allow officers a sufficient period of time to consider and respond to any issues raised by Audit Scotland, prior to a report on this item being brought to Members.

## **6. Pension Fund Contributions and Administration Tabhartasan agus Rianachd Maoin Peinnsein**

There was circulated Report No. PC/05/14 by the Director of Finance which updated Members on matters relating to the administration of the Highland Council Pension Fund under the headings of pension contributions; administration costs; actuarial fees; triennial valuation and performance indicators.

Arising from the report it was confirmed that results of the Triennial Valuation of the Fund were expected in October 2014 and that the data which had been provided to Actuaries earlier in the year in this regard had been classified as being of a high standard and that no issues were anticipated. The outcome of the Valuation would be reported to a future meeting of the Committee.

It was also reported that in regard to the Administering Authority performance indicators to 31 March 2014, the expected results had been achieved or exceeded in the majority of processes.

Thereafter, the Committee **NOTED** the report.

**7. Highland Council Pension Fund: Monitoring of Retirements  
Maoin Peinnein Comhairle na Gàidhealtachd: Sgrùdadh  
Fheumalachdan**

There was circulated Report No. PC/06/14 by the Director of Finance which provided information relating to retirements from The Highland Council Pension Fund for the year ended 31 March 2014.

In particular the report provided a summary of retirements and details of Highland Council retirements, Non Highland Council retirements and comparisons between 2012/13 and 2013/14.

The Committee **NOTED** the report.

**8. Statement on Internal Control 2013/14  
Brath air Smachd A-staigh 2013/14**

There was circulated Report No. PC/07/14 by the Head of Internal Audit & Risk Management which included an assessment of the adequacy, reliability and effectiveness of the Council's system of internal financial control and provided information for the Pension Fund's Statement of Accounts. This was contained within the Statement on Internal Control, a copy of which was appended to the report.

The report confirmed that on the basis of the work undertaken during the year, it was considered that the key systems operated in a sound manner and that there had been no fundamental breakdown in control resulting in material discrepancy. It was the audit opinion that reasonable assurance could be placed upon the adequacy and effectiveness of the Pension Fund's internal control systems for the year to 31 March 2014.

The Committee **NOTED** the content of the report and the audit opinion provided.

**9. Internal Audit Reports: Pensions System and Matters Arising from  
the Statement of Internal Control 2013/14  
Aithisgean an Sgrùdaidh A-staigh: Siostaman Peinnein agus  
Gnothaichean ag Èirigh às a' Bhrath air Smachd A-staigh 2013/14**

There was circulated Report No. PC/08/14 by the Head of Internal Audit & Risk Management which referred to the audit work undertaken since the last report to the Pensions Committee on 14 November 2013. In addition details were provided of the audits being undertaken as part of the 2014/15 plan of work. In regard to the Audit Plan for 2014/15 it was anticipated that audit reports on Pension Fund Payments and on work to support the Statement on Internal Control for 2013/14 would be presented to the Committee in November 2014.

It was confirmed that the Internal Audit report had an audit opinion of 'Substantial Assurance' and that a number of areas for improvement had been identified details of which were set out in Appendix 1 to the report. As a result the Action Plan contained seven recommendations and the Head of Internal Audit and Risk Management provided a verbal update in regard to progress on a number of those actions as follows:

- Access Control Policy – this medium grade action had been delayed but was due to be completed in the near future;
- Restricted Access to the Pensions Office – the costs associated with implementing medium grade action had proved unreasonable and alternative action had been taken to ensure personal information would be kept secure when not in use;
- Insecure Delivery of Pension Contribution Data – this high grade action had proved more complex than originally anticipated but that an assurance had been provided that arrangements would be made for the secure transfer of information by the end of the financial year.

During discussion the following issues were raised:-

- further clarification was sought on the current status of each the seven recommendations set out in the report noting that not all of the actions would be completed by 30 May 2014 as originally scheduled; and
- whether the planned audit review of Pension Fund payments would also cover the issue raised by Audit Scotland around the operation and monitoring of the intercompany accounts used to manage transfers between the Council and the Pension Fund. The Head of Internal Audit and Risk Management confirmed that he would have discussions with Audit Scotland in regard to the scope of the audit on this issue prior to work commencing on the Plan for 2014/15.

The Committee **NOTED** the Final Report and the status of this year's planned audits.

**10. Risk Management Review and Update Report**  
**Ath-sgrùdadh Làimhseachadh Cunnairt agus Aithisg Ùr-fhiosrachaidh**

There was circulated Report No. PC/09/14 by the Director of Finance which provided Members with information on the Highland Council Pension Fund's risk register, future risk management arrangements and provided a review of current risks.

In regard to future risk management arrangements, it was reported that in order to manage risk on an ongoing basis, the intention was to review the risk register regularly and add risks as required. Any red and amber risks on the risk register and action being taken to manage and address these risks would in future be reported to the Pensions Committee. Members

would also have the opportunity to highlight any risks that they considered should be added to the risk register. It was also proposed to develop a risk register in line with the Council's Risk Management process with assistance from the Council's Audit and Risk Manager. In this regard a risk management policy and strategy would be developed and presented to a future Pensions Committee for approval.

In response to a question in regard to the potential impact of proposed changes around the governance of the Local Government Pension Scheme, the Chair explained that he would be attending a meeting of Local Government Pension Scheme (Scotland) Conveners Group in Edinburgh on 22 August 2014 and that the principal agenda item was the arrangements for the soon to be introduced Pension Boards. He indicated that he would report back to Members if there was anything significant arising from that meeting in this regard.

The Committee **NOTED** the report and the future risk management reporting arrangements.

**11. Investment Sub Committee: Minutes of Meeting  
Fo-chomataidh Tasgaidh: Geàrr-chunntas na Coinneimh**

The Minutes of meetings of the Investment Sub-Committee held on 21 February 2014 and 27 May 2014 were **APPROVED**.

The meeting closed at 2.05 pm.