Highland Council Pension Fund

Annual report on the 2013/14 audit

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

October 2014

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Key messages

Financial statements	• Unqualified auditor's report on the 2013/14 financial statements. • Final accounts processes and procedures require improvement.
Financial position	• Financial position remains good. • Contributions received increased by £1.9 million in 2013/14. • Pension costs increased by £3.2 million in the year. • Net assets rose by £90.3 million to £1,276 million.
Governance & accountability	• The fund has a number of sound governance arrangements in place. • Appropriate systems of internal control are in place except for those relating to the operation and monitoring of the intercompany accounts with the council. • A specific pension fund risk register has been developed. • Arrangements for the prevention and detection of fraud and irregularities are satisfactory.
Best Value, use of resources & performance	• Well developed framework for monitoring and reporting performance in place. • Investment returns in 2013/14 were 1.2% higher than the fund's customised benchmark.
Outlook	• The triennial actuarial review as at 31 March 2014 is due in 2014/15. • In 2015/16, there will be significant changes to the pension fund, as a result of new regulations published this year.

Financial Statements

1. We have given an unqualified audit opinion that the financial statements of Highland Council Pension Fund give a true and fair view of the financial transactions during the year ended 31 March 2014 and of the amount and disposition of its assets and liabilities at that date.

2. The fund grew by £90.3 million in the year, with investments contributing £84.5 million, and dealings with members £5.8 million. The council's customised benchmark rose 6.2% over the year, while on a comparable basis, the value of the fund's investments rose by 7.4%.

Financial position

3. The last triennial funding valuation, undertaken by the scheme actuary as at 31 March 2011, concluded that the scheme was 97% funded; a slight decline from the 2008 valuation. The 2014 valuation is currently in progress. Initial indications are that the funding level will have fallen since the 2011 valuation due reductions in real bond yields although asset returns have been slightly higher than expected.

4. Employer contributions were set at 17.3% for 2013/14.

Governance and accountability

5. The fund's governance arrangements are generally sound and are supported by appropriate systems of internal control, although controls over the operation and monitoring of the intercompany accounts for transactions with the council require improvement.

6. Responsibility for the overall strategic direction of the fund is delegated to the Pensions Committee, and an Investment Sub-Committee has been established with responsibility for investment matters.

Best Value, use of resources and performance

7. Investment performance of the fund is reported quarterly to the Investment Sub-Committee. The fund has outperformed its benchmark over one, three and five year periods.

Outlook

8. The Local Government Pension Scheme (Scotland) Regulations 2014 defines the new scheme which will replace the current one from 1 April 2015. There are some significant changes, including moving from a final salary scheme to a career average revalued earnings (CARE) basis.

Introduction

9. This report is a summary of our findings arising from the 2013/14 audit of Highland Council Pension Fund. The purpose of the annual audit report is to summarise the auditor's opinions and conclusions, and to report any significant issues arising from the audit. The report is divided into sections which reflect our public sector audit model.

10. Our responsibility, as the external auditor of Highland Council Pension Fund, is to undertake our audit in accordance with International Standards on Auditing (UK and Ireland) and the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011.

11. The management of Highland Council Pension Fund is responsible for:

- preparing financial statements which give a true and fair view
- implementing appropriate internal control systems
- putting in place proper arrangements for the conduct of its affairs
- ensuring that the financial position is soundly based.

12. This report is addressed to the members of The Highland Council as the administering body of the pension fund and the Controller of Audit and should form the basis of discussions with the Pensions Committee as soon as possible after it has been issued. Reports should be made available to stakeholders and the public, as audit is an essential element of accountability and the process of public reporting.

13. This report will be published on our website after it has been considered by the administering body. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

14. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports, shown at Appendix I, include recommendations for improvements. 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 Highland Council Pension Fund.

15. The concept of audit risk is of key importance to the audit process. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements. We set out in our annual audit plan the related source of assurances and the audit work we proposed to undertake to secure appropriate levels of assurance. Appendix II sets out the significant audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.

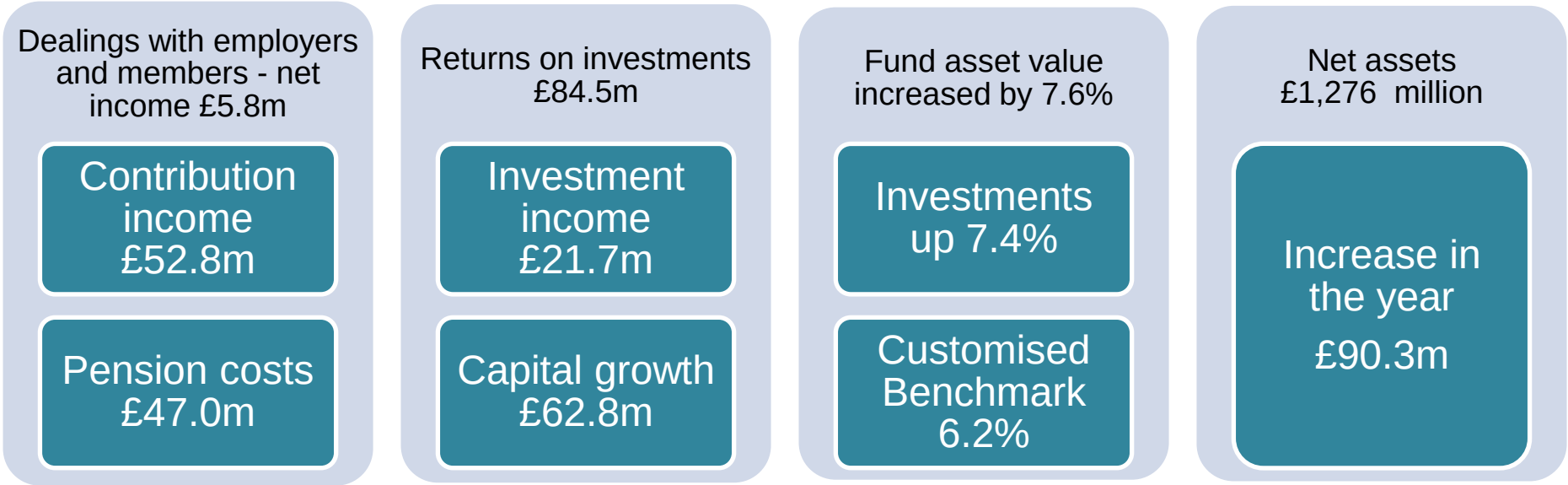
16. Appendix III is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response".

17. We recognise that not all risks can be eliminated or even minimised. What is important is that Highland Council Pension Fund understands its risks and has arrangements in place to manage these risks. The council, as administering body and the Proper Officer should ensure that they are satisfied with proposed management action and have a mechanism in place to assess progress and monitor outcomes.

18. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

19. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Financial statements



Audit opinion

20. We have given an unqualified opinion that the financial statements of Highland Council Pension Fund for 2013/14 give a true and fair view of the state of the affairs of the fund as at 31 March 2014 and of the amount and disposition of its assets and liabilities at that date.

Other information published with the financial statements

21. Auditors review and report on other information published with the financial statements, including the Foreword by the Director of Finance, the Annual Report, the Statement on the System of Internal Financial Control and the Governance Compliance Statement. We have nothing to report in respect of these statements.

Legality

22. Through our planned audit work we consider the legality of the pension fund's financial transactions. This includes obtaining written assurances from the Director of Finance. There are no legality issues arising from our audit which require to be brought to the attention of those charged with governance.

Presentational and monetary adjustments

23. A number of presentational, disclosure and monetary adjustments were identified during the course of the audit. These were discussed with management who agreed to amend the unaudited financial statements. The impact of these adjustments was to reduce the net increase in net assets by £0.098 million, and reduce closing net assets by £0.098 million.

Report to those charged with governance

24. We presented our report to those charged with governance (ISA 260) to the Pensions Committee on 14 August. As there were a number of issues that had still to be resolved, including the operation of the intercompany accounts used to summarise transactions between the council and the fund, the committee agreed to delegate responsibility for consideration of the updated ISA 260 report to the chair of the committee.

25. We met with the Pension Committee Chair on 23 September 2014 to discuss our updated ISA 260 report. The primary purpose of the report is to communicate the significant findings arising from our audit prior to finalisation of the independent auditor's report. The main points are set out in the following paragraphs.

Significant findings

26. The following issues 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 were highlighted.

Intercompany accounts

27. The council's ledger system uses intercompany accounts to complete the double entry for all transactions that cross between the council and the fund. Our review of the reconciliation provided to support the figures included in the unaudited accounts raised a number of queries which took significant time for officers to resolve. In particular, officers were not aware that the council had been paying the income tax deducted from the pensioners' payroll (£4.3 million) on behalf of the fund throughout 2013/14.

28. The council's March 2014 pension contributions (£2.4 million), strain on the fund contributions (£0.6 million), and central support costs due to the council (£1 million) were also included in the intercompany accounts net creditor together with items paid by the fund on behalf of the council (£0.7 million) leaving an unexplained balance of £0.3 million which was not material to our opinion. The audited accounts were amended to include these amounts as gross debtors and creditors. Officers are investigating why the council is not reimbursing the fund for all of the strain on the fund costs paid on its behalf as part of the monthly transfer and to identify the make up of the unexplained balance.

Refer Action Plan Point 1

Duplicate strain on the fund costs

29. Audit testing identified that strain on the fund costs totalling £0.4 million had been included twice within the fund's accounts in error. The audited accounts were amended to correct this error.

Refer Action Plan Point 2

Debtors and creditors

30. Our audit identified a number of year end journals that had been incorrectly posted. As a result, the net increase in net assets and debtors were overstated by £0.5 million and creditors were understated by £0.06 million. The audited accounts were amended to correct these errors.

Refer Action Plan Point 2

Termination/cessation valuations

31. Highlands and Islands Structural Fund Partnership's participation in the fund ceased on 30 June 2012. The fund's actuary provided an actuarial valuation of the termination value due to the fund of £0.8 million in June 2014. This amount was not included as a debtor in the unaudited accounts though discussions were ongoing with the Partnership's advisors regarding settlement. The audited accounts were amended to include this debtor.

Refer Action Plan Point 2

Potential refund of contributions

32. Members of the fund can claim a refund of their contributions when they leave with less than 2 years service. As at 31 March 2014, the fund had 2,887 frozen refund records representing contributions totalling £0.7 million. No creditor, provision or contingent liability had been included in the fund's accounts in respect of this liability. The audited accounts were amended to include a contingent liability for refunds due.

Refer Action Plan Point 3

Outlook

33. The financial statements of The Highland Council Pension Fund are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The main new standards adopted in 2014/15 include :

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosures of interests in other entities
- IAS 28 Investments in associates and joint ventures.

34. The revised Local Authority Accounts (Scotland) Regulations 2014 apply for financial years 2014/15 onwards. The regulations set out in more detail what is required in respect of financial management and internal control, and in respect of the annual accounts themselves.

35. One of the changes includes the requirement for the unaudited accounts to be considered by the governing committee of the pension fund. This can take place following submission to the auditor and up to 31 August if necessary. In addition the audited accounts must be considered and approved for signature by the governing committee by 30 September with publication on the administering body's website by 31 October.

Refer Action Plan Point 4

36. There is also a significant change in the relationship with admitted bodies. While previously the relationship was governed by the admission agreement with each body, from 1 April 2015 the regulations specify certain events which lead to the crystallisation of an employer's liabilities to the fund.

Financial position

37. The net assets of the pension fund grew by £90.3 million during 2013/14 to £1,276 million as at 31 March 2014. Returns on investments contributed £84.5 million. £25.1 million of this came from investment income and the remainder from profits and losses on disposal and changes in the market value of investments. The growth in market value of the fund was 7.4%. This compares well with the council's customised benchmark of 6.2%.

38. While the growth of investment assets is encouraging, liabilities are also increasing due the impact of reduced real bond yields on the discount assumption used by the actuaries. Exhibit 1 shows the assets and IAS19 liabilities disclosed in the fund's 2013/14 accounts. IAS 19 uses different actuarial assumptions from those used in the triennial valuation at paragraph 39.

Exhibit 1: Snap-shot of assets and liabilities

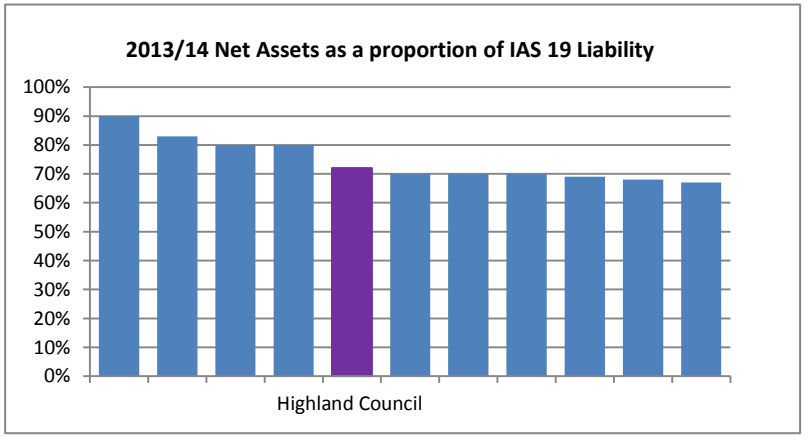
Description	31 March 2013	31 March 2014
	£ million	£million
Fund Assets	1,185	1,276
IAS 19 Liability	1,557	1,779
Funding level	76%	72%

Source: Highland Council Pension Fund Annual Accounts 2013/14

39. The fund's long-term funding position is calculated every three years by an actuary. The 2011 triennial valuation showed that the fund's assets amounted to 97% of the fund's liabilities. The 2014 valuation is currently in progress. Initial indications are that the funding level will have fallen since the 2011 valuation due reductions in real bond yields although asset returns have been slightly higher than expected.

40. The fund also compares well against other Scottish funds within the local government scheme (Exhibit 2).

Exhibit 2: The ratio of net assets to IAS 19 liabilities compared with other Scottish funds



Source: Scottish councils' unaudited accounts 2013/14

Funding and outlook

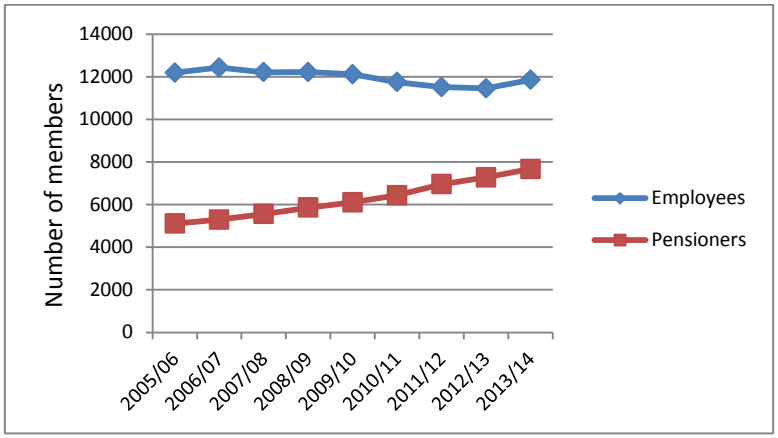
41. Additions to the fund from its dealings with members were £5.8 million, which was £1 million lower than last year. The most significant contributors to the fall were:

- an increase of £2.3 million in the cost of pension payments due to an increase in the number of pensioners, including early retirements
- a rise of £0.2 million in administrative expenses due to a change in how the recharge from the council is calculated
- transfers out of the scheme of £2.8 million
- opposing these factors, were one-off gains from members who transferred their pensions into the fund (£2.2 million), and auto-enrolment, which directly increased contributions by up to £1.9 million.

42. As shown in Exhibit 3, the number of pensioners continues to rise, though this year, auto-enrolment provided a boost to the number of employees.

43. The average age of active members is around 45 which give an average of 20 more years of contributions until retirement. The planning horizon of the fund is therefore about twenty years. However, this will change as the retirement age rises in line with pension reforms (refer paragraph 61).

Exhibit 3: Trends in fund membership 205/06 – 2013/14

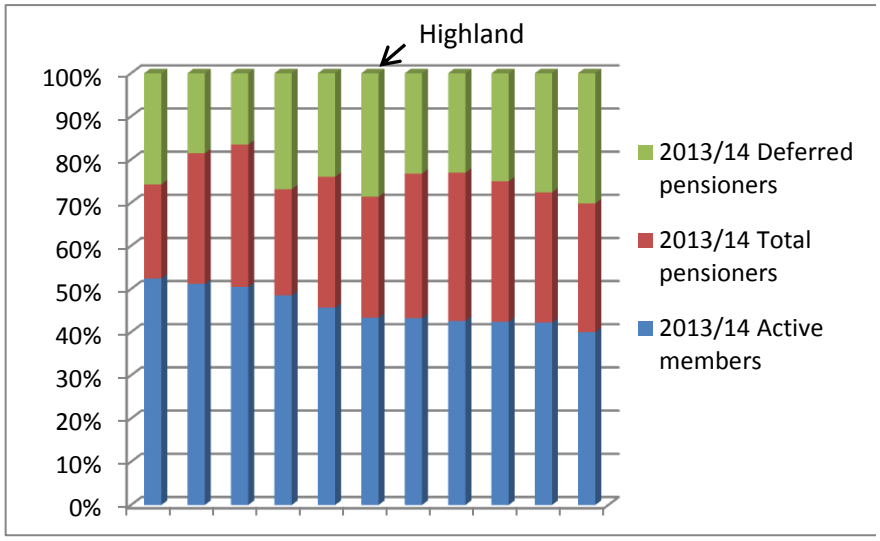


Source: Highland Council Pension Fund Annual Accounts 2010/11 to 2013/14

44. In terms of membership, the fund is mid-table in comparison to other Scottish local government pension funds with regards to proportions of active members, pensioners and deferred pensioners (Exhibit 4).

45. As the scheme matures, and the value of pensions in payment continues to rise, there will at some point be a need to alter investment strategy to stabilise income, but this is likely to be many years in the future. For now, the higher than benchmark exposure to equities provides protection to the fund from inflation, though the other side of this is exposure to volatility in annual net asset valuations.

Exhibit 4: Membership compared with other Scottish funds



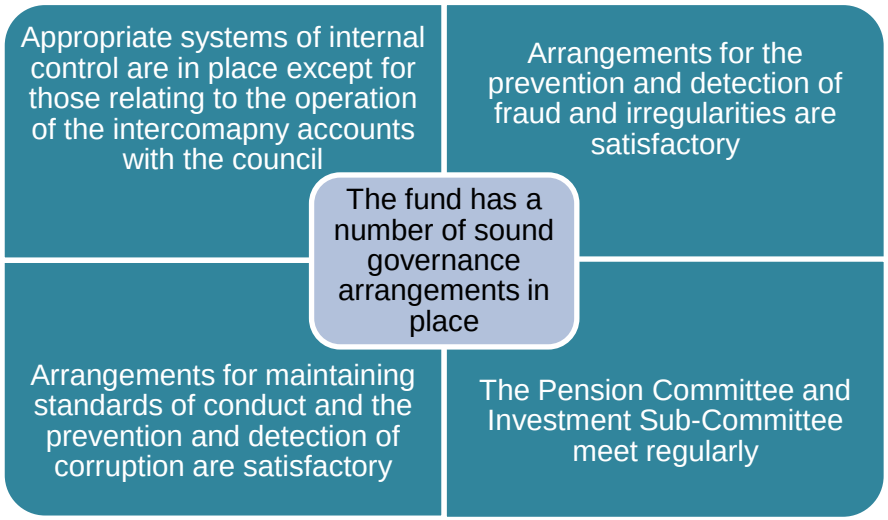
Source: Scottish councils' unaudited accounts 2013/14

Outlook

46. Every three years the fund's actuary undertakes a valuation of the pension fund. The purpose of this valuation is to review the financial position of the fund and to determine the rate at which the employing bodies participating in the fund should contribute in the future, to ensure that the existing assets and future contributions will be sufficient to meet future benefits payable by the fund. The current triennial valuation at 31 March 2014 is currently ongoing and expected to conclude late 2014/early 2015.

47. As the fund matures its membership profile could contain a higher proportion of pensioners to active contributing members. This would mean that at some point in the future the fund's monthly income inflows may not be sufficient to meet its monthly expenditure outflows requiring the use of investment income or realisation of investments to pay pension benefits. Actuarial advice is that subject to stable membership and investment income yield assumptions, the fund should continue to generate positive cash flows from its dealings with members in the short to medium term.

Governance and accountability



48. Members of the council and the Director of Finance are responsible for establishing arrangements for ensuring the proper conduct of the affairs of Highland Council Pension Fund and for monitoring the adequacy and effectiveness of these arrangements.

Corporate governance

49. The corporate governance framework within Highland Council Pension Fund is determined by the council, as administering authority. Responsibility for the overall strategic direction of the fund has been delegated to the Pension Committee and is supported by the Investment Sub-Committee.

50. The fund has the expected structures and controls in place, though there will be a need to consider these in the coming year due to pension reform.

Internal control

51. The fund's financial systems run alongside those of the administering authority and its financial ledger and payroll system are used to process fund transactions. We were able to take assurance from our audit of the council that high level controls in the ledger, payables and payroll system that impact on the financial statements operated effectively.

52. We also reviewed the key controls relating to the pension investment and administration transaction systems. Our overall conclusion was that Highland Council Pension Fund had appropriate systems of internal control in place during 2013/14 except for those relating to the operation of the intercompany accounts with the council (see paragraphs 27 & 28).

Internal audit

53. Internal audit provides members of the fund and the Director of Finance with independent assurance on the overall risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work.

54. Our review of internal audit concluded that the fund's internal audit service generally operates in accordance with the Public Sector Internal Audit Standards. An action plan has been prepared to address the areas of non-compliance. We placed formal reliance on internal audit's work on the fund's pension payments, and on focused testing of the main accounting systems undertaken to support the Head of Internal Audit & Risk Management's opinion on the internal control system.

Risk management

55. Risk management is an essential part of the fund's approach to corporate governance. The fund's Funding Strategy Statement identifies the key risks which could impact on the achievement of the fund's objectives. A specific risk register for the fund has recently been drafted based on the CIPFA guidance *'Management of Risks in the Local Government Pension Scheme'*. After review by management, the risk register will be submitted for Pensions Committee approval in February 2015.

Arrangements for the prevention and detection of fraud

56. The fund's arrangements for the prevention and detection of fraud and irregularities were satisfactory. No issues have been identified by us for inclusion in this report.

57. Highland Council Pension Fund participates in the National Fraud Initiative (NFI). The NFI uses electronic data analysis techniques to compare information held on individuals by different public sector bodies and different financial systems, to identify data matches that might indicate the existence of fraud or error. Overall, we concluded that the fund has satisfactory arrangements in place for investigating and reporting data matches identified by the NFI.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

58. The arrangements for the prevention and detection of corruption in Highland Council Pension Fund are satisfactory and we are not aware of any specific issues that we need to record in this report.

Outlook

59. The Local Government Pension Scheme (Scotland) Regulations 2014 apply from 1 April 2015. These introduce a new pension scheme which replaces the current LGPS as constituted by the Local Government Pension Scheme (Scotland) Regulations 2008 (as amended), "the 2008 Scheme".

60. The reform of the LGPS follows Lord Hutton of Furness' report of March 2011 and the resulting Public Service Pensions Act 2013.

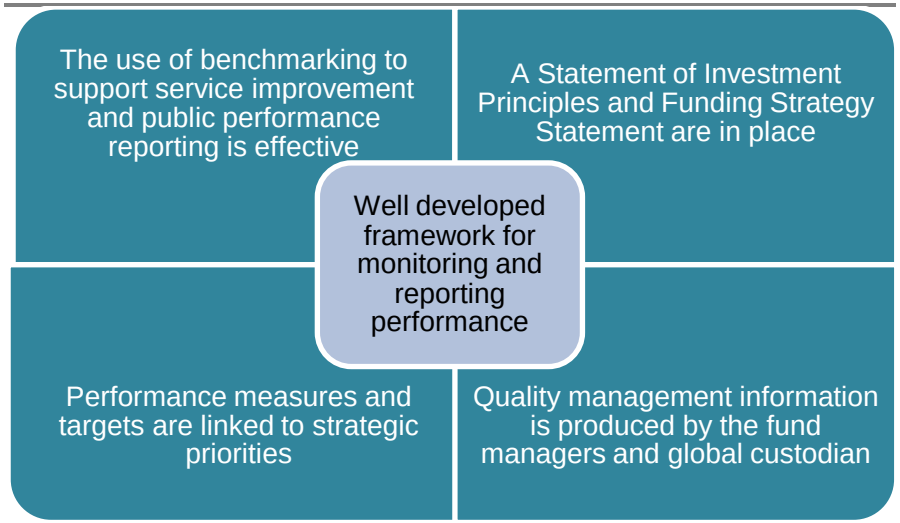
61. In contrast to the 2008 Scheme, which was a final salary pension scheme in which unreduced benefits were payable to members from the age of 65, the new scheme provides for members to accrue pension on a career average revalued earnings basis and for unreduced benefits to be payable from their state pension age. The IT systems to support the administration of the new scheme are currently being developed for implementation on 1 April 2015.

62. The accrual rate of the new scheme in 1/49th of annual pensionable pay, which compares with 1/60th under the previous scheme. The new scheme also provides for more flexibility over retirement age. Benefits accrued up to 1 April 2015 under the old scheme are protected.

63. The governance arrangements for pension schemes under the new regulations are more prescriptive with a requirement for administering authorities to establish a pensions' board responsible for compliance with legislation and requirements imposed by the Pensions Regulator.

64. An employers' forum held is being held in Eden Court on the 30th October to inform employers of changes to the scheme arising from The Local Government Pension Scheme (Scotland) Regulations 2014.

Best value, use of resources and performance



65. Audited bodies have a specific responsibility to ensure arrangements have been made to deliver best value in the services they provide. This requires continuous improvement while maintaining a balance between quality and cost and having regard to value for money, equal opportunities and sustainability. There is also the duty to report performance publicly so that stakeholders know what quality of service is being delivered and what they can expect in the future.

66. The council as the administering body has in place a Statement of Investment Principles which sets out the operational framework for the fund's investments. This is subject to regular review to ensure that it continues to reflect the needs of the fund. In addition, a Funding Strategy Statement defining how the fund intends to meet it is financial obligations has been in place since February 2006.

Performance management

67. The fund has appropriate arrangements in place to manage and monitor its performance.

68. The main mechanism for measuring investment performance is through the analysis of the returns achieved by the fund's external fund managers. The managers' performance, in terms of achieving benchmarks, is subject to independent verification by the appointed advisors (AON Hewitt) and managed through the investment mandates held by the specialist fund managers.

69. 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 then reported to each meeting of the Investment Sub Committee. One of the fund managers is also requested to attend this meeting to enable members to scrutinise performance.

70. Investment returns of the fund have outperformed the benchmark targets over a one, three and five year period as shown in Exhibit 5 below.

Exhibit 5: Investment performance

Description	Year 1	Year 3	Year 5
Fund	7.4%	8.7%	14.4%
Benchmark	6.2%	7.9%	13.2%

Source: Highland Council Pension Fund 2013/14 Investment Adviser Performance Report

71. Performance targets for service standards and key administration tasks based on pension industry standards are included in the pension administration strategy. Performance against these targets is set out in the fund's 2013/14 annual report.

Communication with fund members

72. The fund developed a website in 2013/14 to improve its communication and interaction with members. Members contributing to the fund and deferred members receive annual benefits statements. Members in receipt of a pension receive payslips, their annual P60 and notification of pension increases. In addition a newsletter is produced.

National performance audit reports

73. The pension fund does not regularly report the findings from relevant national reports to the Pension Committee including an assessment of current practices against good practices and the agreement of actions to ensure further improvements. A summary of relevant national performance audit reports, along with local audit reports, is included in Appendix I.

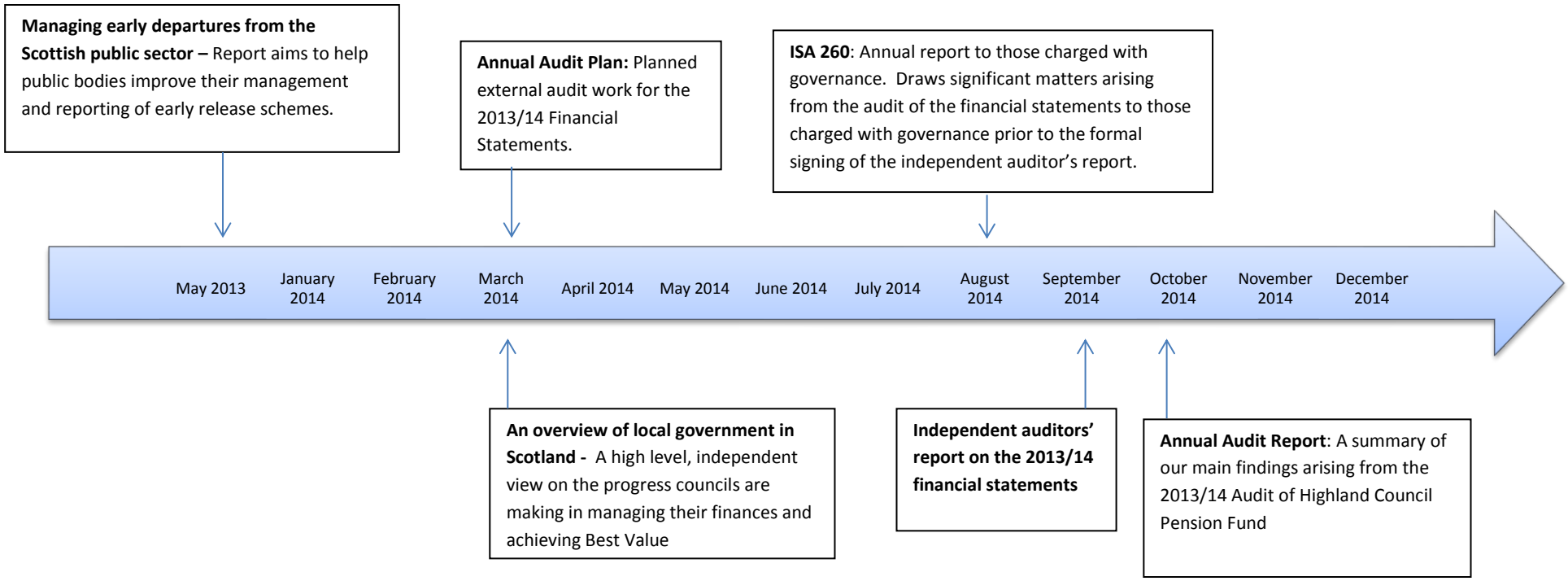
Refer Action Plan Point 5

Outlook

74. Auto-enrolment is beginning to affect the fund's employers, with the council's and Comhairle Nan Eilean Siar's employees already auto-enrolled and others coming due to be joining over the next two years. Auto-enrolment can mean additional costs for employers and it is possible that some will join other schemes. We will monitor developments in this area as part of our 2014/15 audit.

75. The fund's investment strategy is currently under review, and will include the fund's exposure to property debt, private equity and Baillie Gifford's mandate. Options for fixed income investments are also being investigated. The fund may also wish to consider greater use of common investment vehicles as recommended by the recent consultation on the future structure of the local government pension schemes in England and Wales.

Appendix I – Summary of local and national audit reports 2013/14



Appendix II – Significant audit risks

The table below sets out the key audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure
Auto-Enrolment Changes to the legislation on workplace pensions require employers to automatically enrol their staff into a workplace pension. It is not yet clear whether all of the pension fund's admitted and scheduled bodies will opt to use the Highland Council Pension Fund as the preferred pension provider when they implement auto-enrolment. ***Risk: there may be an adverse impact on the size of the fund if employers choose not to use the local government pension scheme as their preferred provider for auto-enrolment.***	The largest scheme employers (Highland Council and Western Isles Council) have already implemented auto-enrolment and chosen the local government pension scheme (LGPS) as their workforce pension provider. NHS Highland has indicated that it will not be using the LGPS for auto-enrolment. The remaining employers have been contacted and asked to advise their arrangements for auto – enrolment to the fund. No indication has been given that an alternative scheme to the LGPS will be chosen. Contributions Receivables were monitored as part of the final accounts audit and it was noted that there was an increase in the numbers of contributors in Highland Council, the scheduled bodies and the admitted bodies, breaking the downward trend in contributor numbers.

Audit Risk	Assurance procedure
Pension Reform The revised Scottish Local Government Pension Scheme introduces a raft of changes which the Pension Fund will have to implement into their systems and processes. ***Risk: the pension fund may fail to fully comply with the changes to the pension legislation.***	We tracked developments and pronouncements from the Scottish Public Pensions Agency (SPPA) over the course of the year. We noted the publication of Scottish Statutory Instrument 2014 No 164 on 9th June 2014 which defines the scope of the new Local Government Pension Scheme, and includes provisions covering career average pension benefits, referred to above. It also contains provisions applicable to the council as administering authority and to scheme employers, including the council and admitted bodies.
Investment Management Expenses The investment management fees for pooled investment vehicles and the trading activities of fund managers are not disclosed separately in the financial statements. There is therefore a possible lack of transparency over the level of expenses charged. Guidance is awaited on how to disclose, and any separate disclosure may involve the use of estimates. ***Risk: Investment management expenses may be understated.***	Investment management expenses disclosed in the 2013/14 financial statements were grossed up where practicable for fees on pooled investment vehicles. CIPFA have issued guidance on "local government pension scheme management costs". The 2014/15 example pension scheme accounts will disclose in a note scheme management costs under the following headings:- - Investment management costs - Administrative expenses - Oversight & Governance Costs Finance staff will follow this guidance when preparing the fund's 2014/15 financial statements.

Appendix III– Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
1/9	**Intercompany accounts** Our review of the reconciliation provided to support the figures in the unaudited accounts raised a number of queries which took significant time for officers to resolve. Officers are investigating why the council is not reimbursing the fund for all of the strain on the fund costs paid on its behalf and to identify the make up of the unexplained balance. **Risk** Transactions between the pension fund and the council are not correctly disclosed in their respective financial statements. **Recommendation** Officers should regularly review the transactions posted to the intercompany accounts to ensure that the correct amounts are disclosed in the respective accounts and transferred between the pension fund and council bank accounts.	The transactions between the Pension Fund and the council will be reviewed each quarter and the required cash transfer will be actioned.	Finance Manager – Corporate Budgeting, Taxation and Treasury	Ongoing and finalised by 22 May 2015

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
2/9	**Final accounts procedures** Audit testing identified a number of errors with the processing of year end journals which required correction in the audited statements. In addition debtors were understated by £0.8 million due to the omission of the termination value for an employer who ceased membership of the fund in June 2012. **Risk** The fund's financial statements do not provide a true and fair view of its transactions during the year, and of the amount and disposition of its assets and liabilities. **Recommendation** Procedures for the processing of year end journals should be reviewed prior to the preparation of the 2014/15 financial statements.	All year end procedures for the production of the Pension Fund accounts will be reviewed prior to the preparation of the 2014/15 financial statements.	Finance Manager – Corporate Budgeting, Taxation and Treasury	30 January 2015

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
3/9	**Potential refund of contributions** Members of the fund can claim a refund of their contributions when they leave with less than 2 years service. As at 31 March 2014, the fund had 2,887 frozen refund records representing contributions totalling £0.7 million. **Risk** Potential refunds of contributions to members who leave with less than 2 years service in funds are not recognised as a liability in the financial statements. **Recommendation** The pension fund should consider reviewing the extent of historical requests for refunds from deferred members to establish a methodology for recording this potential liability in its accounts.	The position of the deferred pension balances will be reviewed for the preparation of the 2014/15 accounts and an assessment made on the proper disclosure for the potential impact on the Fund.	Finance Manager – Corporate Budgeting, Taxation and Treasury	20 March 2015

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
4/10	**Local Authority Accounts (Scotland) Regulations** The revised regulations require that the audited accounts be considered and approved for signature by the Pensions Committee by 30 September. **Risk** The new requirements will not be met in 2014/15. **Recommendation** The council should review its final accounts timetable and processes to ensure that the new requirements set out in the revised regulations can be met. The timing of the Pensions Committee meeting should also be considered.	Significant changes are proposed by the Scottish Government to the governance arrangements for the LGPS. The meeting timetable will be considered as part of any changes made to the Council's committee structure. The review of the final accounts timetable is also required by External Audit to hit the new deadline. The Council will accommodate these changes when known.	Head of Corporate Finance	30 April 2015

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
5/18	**National performance audit reports** The pension fund does not regularly report the findings from our national reports to the Pension Committee including an assessment of current practices against good practices and the agreement of actions to ensure further improvements. **Risk** National performance report findings are not used to support continuous improvement in the operation of the pension fund. **Recommendation** The Pensions Committee should consider introducing a mechanism to ensure that all national reports are reviewed and that any findings relating to the governance or performance management of the fund are brought to their attention.	Relevant national performance reports will be presented to the Pension Committee for consideration.	Head of Corporate Finance	Ongoing