

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Board

23 October 2014

Report by: Deputy Head of Pensions

Subject:	2013-14 Pension Fund Annual Report and Statement of Accounts
Purpose of the Report	To present the Annual Report and Statement of Accounts of the Pension Fund for the 2013-14 financial year.
Recommendations	<p>That the Pension Fund Board;</p> <ul style="list-style-type: none"> 1) approves the 2013-14 Pension Fund Annual Report 2) note the ISA260 and the recommendations contained within 3) approves the delegation to the Chief Finance Officer for the completion of the addendum to the Annual Report 2013-14
Enquiries to:	<p>Malcolm Gardiner, Pension Fund Accountant, LGSS Pensions Services Tel: 01604 362192 E-mail: mgardiner@northamptonshire.gov.uk</p>

1. Background

- 1.1 The annual accounts are the financial representation of the Fund over the 2013-14 financial year.
- 1.2 They are based on actual transactions accounted for within the Fund's financial ledger, information received from Fund managers and the Fund's Custodian. The statements include assumptions and estimations utilising the professional judgement of officers, in order to give a true and fair statement of the Fund's financial position.
- 1.3 The publication of the accounts is an essential feature of public accountability and stewardship.
- 1.4 The draft Annual Report and Statement of Accounts were presented to the Pension Fund Board on 24 July 2014. Since the meeting both the Annual Report and Statement of Accounts have been reviewed by the Pension Fund's external auditor, PwC.
- 1.5 Regulation 32 (3) of the Local Government Pension Scheme (Administration) Regulations 2008 and Regulation 57 (3) of the Local Government Pension Scheme Regulations 2013, requires administering authorities to have regard to guidance

given by the Secretary of State when preparing and publishing their pension fund annual report under these regulations.

2. Significant accounting changes

2.1 As a result of this review, there were the two following corrected changes:-

- 1) Adjustment between Debtors and Contributions of £632,000, reflecting the requirement to write down a long term debtor, in respect of the Ministry of Justice.
- 2) Increase in the market value of Private Equity Investments of £3,324,451, following updated valuation information becoming available during the closedown process.

3. Audit findings and recommendations

3.1 PwC has provided officers with their summary of audit internal control deficiencies and recommendations, which can be found in the ISA 260 report in **Appendix 2**.

3.1.1 The Pension Fund Team should review its closedown practices to ensure that they are fit for purpose to produce high quality accounting statements and supporting statements first time

It was acknowledged that due to the earlier than normal deadline to close the Accounts that there was some slippage on working papers. The Team has commenced a review and improvement programme to address this matter.

- 3.1.2 The Pension Fund should consider introducing a PEN18 requirement for Cambridgeshire County Council to monitor the late payment of contributions. As part of this, the Council should ensure that it is paying over its contributions to the Pension Fund on a timely basis.

This matter was acknowledged and a process has been implemented to address this matter, which has been in place since April 2014.

- 3.1.3 The Pension Fund should ensure that all its transactions are processed through its own bank account in line with regulations.

A review of existing processes is being undertaken resulting in improvements to be embedded in the Oracle systems, to reduce dependence upon manual interventions, to ensure the integrity of payments and receipts.

- 3.1.4 The Pension Fund should be reconciling its investment manager confirmations to its custodian reports and investigate differences.

The team already has such a process in place which will be reviewed for effectiveness and a performance framework will be established and reported to the Pensions Board on an annual basis.

- 3.1.5 Also raised in the document is the matter of the valuation at cost of the investment in Cambridge and Counties Bank, given that the Bank was in its third year of trading and has been making a consistent profit. It was suggested that an alternative professional valuation be obtained to assess the fair value.

This has been acknowledged and will be put in place for the 2014-15 closedown.

- 3.1.6 An issue concerning the wider County Council financial processes was raised in regard to the use of suspense accounts and the posting of entries between the Pension Fund and the Cambridgeshire County Council general ledger.

It was acknowledged that this matter requires investigation as suggested.

4. DCLG Guidance on Pension Fund Annual Reports

- 4.1 In late August 2014 the Department for Communities and Local Government (DCLG) issued new guidance requiring administering authorities to review their annual report for the year ending March 2014. In consideration of the late issuance of this guidance, resulting amendments may be issued as an addendum to the report and published by 1 December 2014, as required by scheme regulations.

- 4.2 The major items to be included in the addendum are;

- A three year forecast of income and expenditure into and out of the Fund (including administration costs)
- An analysis of the amounts due to the Fund from employers
- A commentary on how Scheme information has been provided to stakeholders detailing the format and frequency. In addition, the steps that have been taken to promote membership of the Scheme to prospective members.

- 4.3 PwC noted the late notification to the Service by DCLG to undertake the review of the Pension Fund Annual Report and confirmed that this will not delay their audit opinion on the County Council Statement of Accounts, which incorporates the Pension Fund

Statement of Accounts. However, they will delay issuance of their standalone opinion on the pension fund accounting statements and annual report, meaning they will leave their completion certificate open until this matter is completed. The deadline for publication of the standalone pension fund accounts and annual report is 1 December. It will require however, some additional external audit work to satisfy PwC that they can sign their audit opinion once the revision to the annual report is complete.

5. Relevant Pension Fund Objectives

Perspective	Outcome
Funding and Investment	<ul style="list-style-type: none"> To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. To ensure that sufficient resources are available to meet all liabilities as they fall due. To maximise the returns from its investments within reasonable risk parameters.

6. Finance & Resources Implications

- 6.1 There may be some additional external audit costs resulting from the DCLG Annual Report revised guidance issuance.

7. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
The Board approves an inappropriate 2013-14 Pension Fund Annual Report.	The external audit process and engagement with professionally qualified officers.	Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
The Pension Fund Accounts are a statutory requirement requiring the due scrutiny and final sign off by the Section 151 Officer	Red

8. Communication Implications

Direct Communications	The Regulations determine that the accounts and other related documents have to be made available for public inspection from 11 August 2014 to 8 September 2014 inclusive.
Website	<p>The statutory date for the publication of the final set of accounts is the end of September and in accordance with recognised practice, the Council considers its Statement of Accounts to be published from the date that a final, certified copy is made available via the Council's website.</p> <p>The Annual Report and Statement of Accounts for 2013-14 will be published no later than the 1 December 2014 on the LGSS Pensions Services website.</p>

9. Legal Implications

- 9.1 There are no legal implications as a result of the recommendations set out in this paper.

10. Consultation with Key Advisors

- 10.1 The Pension Fund Accounts were produced utilising information and provided by fund managers, the Fund's custodian, BNY Mellon and the Fund's actuary, Hymans Robertson.

11. Alternative Options Considered

- 11.1 The Pension Fund Accounts are a statutory requirement with a prescribed structure, which has been complied with.

12. Background Papers

- 12.1 The Pension Fund Accounts are supported by a detailed set of working papers that are subject to examination as part of the external audit review.

13. Appendices

- 13.1 Appendix 1 – Pension Fund Annual Report and Statement of Accounts 2013-14

- 13.2 Appendix 2 – ISA 260

Checklist of Key Approvals	
Is this decision included in the Business Plan?	N/A – routine business
Will further decisions be required? If so, please outline the timetable here	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by the Deputy Head of Pensions.	Yes – 26/09/2014
Has this report been cleared by the Section 151 Officer/Chief Finance Officer	Yes – Chris Malyon -29/09/2014
Has the Chairman of the Pension Fund Board been consulted?	Yes – pre-meeting - 01/10/2014
Has this report been cleared by Legal Services?	N/A - routine business