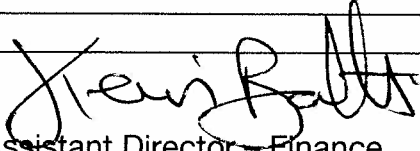


Haringey Council

Report for:	Corporate Committee 27 th September 2012	Item number	
Title:	Pension Fund Annual Report and Accounts 2011/12 and ISA260 Audit report		
Report authorised by :	 Assistant Director – Finance		
Lead Officer:	Nicola Webb, Head of Finance – Treasury & Pensions nicola.webb@haringey.gov.uk 020 8489 3726		
Ward(s) affected: N/A	Report for Non Key Decision		

1. Describe the issue under consideration

- 1.1 This report presents the audited Pension Fund Annual Report and Accounts for 2011/12 and the Annual Governance Report of the external auditors, Grant Thornton, which reports on their annual audit of the Pension Fund accounts.

2. Cabinet Member Introduction

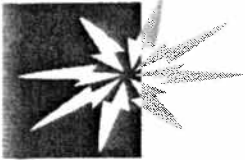
- 2.1 Not applicable.

3. Recommendations

- 3.1 That the Committee consider the contents of this report and any further verbal updates given at the meeting from Grant Thornton.
- 3.2 That the Committee approves the Pension Fund Annual Report and Accounts for 2011-12.

4. Other options considered

- 4.1 None.



5. Background information

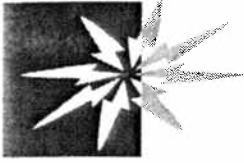
- 5.1 The Local Government Pension Scheme Administration Regulations 2008 require local government pension funds to produce an annual report every year and they set out the contents of such a report. The report is required to be published by 1st December each year. One of the key components of the annual report is the audited pension fund accounts for the year. The pension fund accounts are also still required to be part of the Council's main accounts, even though they are now audited separately. The deadline for the publication of the audited accounts is 30th September each year.
- 5.2 At the Corporate Committee meeting on 15th May 2012 Grant Thornton presented their plan detailing how they would undertake the audit of the 2011/12 accounts. The Audit Commission's statutory Code of Practice for Local Government bodies requires the external auditor to report to those charged with governance on matters arising from their audit before it is finalised.

6. Comments of the Chief Financial Officer and financial Implications

- 6.1 The Pension Fund auditors have recommended a small number of changes to the Pension Fund accounts and these have been made in the set of accounts attached in Appendix 1. Although these changes were required, the auditors' have given the accounts an unqualified opinion. Officers are increasing the monitoring of information from Northern Trust to avoid issues recurring.

7. Head of Legal Services and Legal Implications

- 7.1 The Head of Legal Services has been consulted on the content of this report and the annexed Annual Report and Accounts. As the report confirms the Authority is required to publish a pension fund annual report in a specific format annually on or before 1 December of the year following the year end to which the annual report relates. Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008 sets out this requirement and the format in which the report should be published. The annual report annexed to this report complies with the requirements of Regulation 34.
- 7.2 Members must take into account any verbal updates given (if any) by Grant Thornton at the meeting prior to approving the Pension Fund Annual Report.



Haringey Council

8. Equalities and Community Cohesion Comments

8.1 There are no equalities issues arising from this report.

9. Head of Procurement Comments

9.1 Not applicable

10. Policy Implications

10.1 None.

11. Use of Appendices

11.1 Appendix 1: Pension Fund Annual Report and Accounts 2011-12
Appendix 2: ISA260 - Annual Governance Report, Grant Thornton
Appendix 3: Letter of Representation

12. Local Government (Access to Information) Act 1985

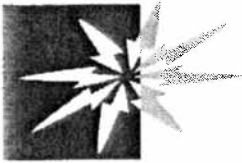
12.1 Not applicable.

13. Annual Report and Accounts 2011/12

13.1 The annual report has been prepared in accordance with the Local Government Pension Scheme Administration Regulations 2008 and includes all the items required.

13.2 The first section of the report sets out what the management arrangements for the Pension Fund were during 2011/12 including the Corporate Committee membership and the Fund's advisers. The following section covers investments setting out the investment strategy operated during the year and the resulting performance. The administration section is next describing the administration arrangements during the year and reporting on the membership. The results of the last formal actuarial valuation are set out in the funding section. The Financial report follows (details are shown below) and the appendices are the latest versions of the Pension Fund's policy statements.

13.3 The accounts are made up of the Fund Account, which shows income and expenditure during the year, the Net Assets Statement, which shows the Fund's investments and other asset and liabilities at the end of the year and the Notes to the Accounts which provide more detail about the figures. There are additional disclosures in this year's



accounts in Notes 10 & 11 to reflect new requirements about disclosing details of financial instruments, which are the Fund's assets and liabilities.

13.4 In the Fund Account, it can be seen that net additions from dealing with members, which is effectively contributions less benefits provided £7m in the year. This was less than the £11m seen the year before, due to the increase in retirement lump sums and pensions payable resulting from redundancies during 2011/12.

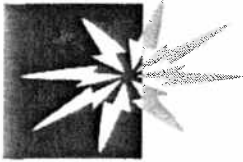
13.5 The market value of the Fund was £755m on the balance sheet date of 31st March 2012. In addition to the surplus of contributions over benefits described in 13.4 above, investment income added £9m net of investment management expenses and the increase in the value of investments added a further £18m.

14. Auditor's Annual Governance Report

14.1 The ISA260 - Annual Governance Report from Grant Thornton is attached at Appendix 2. This sets out their findings in detail. This is marked as "draft" to allow the Committee to make any comments before it is finalised. The report will be presented to the meeting by Subarna Banerjee, the Audit Director.

14.2 During the course of the audit five amendments to the accounts were identified and the Council agreed to make the changes. These are set out in Grant Thornton's report and are summarised below:

- The amount of irrecoverable tax deducted from investment income has been changed from £556k to £94k. Officers had used the initial figure provided by the custodian Northern Trust and during the course of the audit, it was discovered this was incorrect.
- Although officers had spotted a purchase of property which was missing from the Northern Trust information and included it in the accounts, the unrealised gain of £175k on this holding had not been accounted for. This has now been corrected.
- A sale of property units of £134k had been treated as investment income by Northern Trust and so officers had included it as such in the accounts. The fact this should have been accounted for as a sale was discovered during the audit and corrected.
- The audit fee for 2011/12 was excluded from the draft accounts and this has now been corrected.



Haringey Council

- £27k of contribution income was mistakenly included in legal & professional fees and this has now been corrected.

14.3 Several of the changes required relate to issues with information provided by the custodian, Northern Trust. A complaint has been lodged with Northern Trust and officers have had discussions with staff at Northern Trust. Explanations have been received along with assurances that such issues will not arise again. Increased review of Northern Trust information is now taking place to avoid future issues.

14.4 The report shows that the auditors' believe that the Pension Fund Accounts present a true and fair view of the Pension Fund's financial position following the changes set out in section 14.2 above.

14.5 The auditors have made one recommendation concerning the process of collecting the capital costs arising from early retirements from employers. A more robust process is being introduced in response to this.

15. Letter of Representation

15.1 The Chief Financial Officer is required to sign a letter of representation to acknowledge the responsibility for the fair presentation of the information in the financial statements and the Pension Fund Annual Report. A proposed draft of this letter is shown at Appendix 3 of this report for the Committee's information.

