

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER
MEETING DATE:	18 MARCH 2015	
TITLE:	SEPARATE IDENTIFICATION OF PENSION FUND TRANSACTIONS AND BALANCES	
WARD:	'ALL'	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
None		

1 THE ISSUE

1.1 In its Audit Findings Report for the year ended 31 March 2015 the external auditors made a medium priority recommendation that the Council consider action to allow Pension Fund transactions and balances to be more easily identified separately from the Council's transactions and balances.

2 RECOMMENDATION

2.1 That the Committee notes the additional controls to be set up in the Council's Financial Management system to more easily identify Avon Pension Fund journal transactions as outlined in the report.

3 FINANCIAL IMPLICATIONS

- 3.1 The amendments required to the system will be carried out by the Finance Systems Team as part of its maintenance and support of the Financial Management System and no further costs would be incurred by the Avon Pension Fund. The alternative, to set up a separate company within the Financial Management System would require the diversion of significant staff resources.

4 THE REPORT

- 4.1 The Pension Fund accounting system includes the following journals:
- a) Those that are entirely contained within the Pension Fund accounts
 - b) Those that are between the Pension Fund and the Council accounts. An example of this is the recharging to the Fund by the Council for accommodation costs which is done via a journal in both the pension fund accounts and the Council's.
- 4.2 During the audit of the Pension Fund final accounts of 31 March 2015 the external auditors required the identification of all the journals (and consequently transactions and balances) that related to the Pension Fund. They were able to extract journals that exclusively related to the Pension Fund and excluded the rest of the Council. They could also extract all journals that related to the whole Council including the Pension Fund. However they could not extract journals that related to both the Council and the Pension Fund without including all other journals of the Council. This could only be achieved by extracting all journals and manually removing journals that did not relate to the Pension Fund.
- 4.3 The Audit Findings Report for the year ended 31 March 2015 included a medium priority recommendation that the Council consider separating the Pension Fund within the Agresso ledger system to allow Pension Fund journals and consequently transactions and balances, to be separately identified.
- 4.4 Avon Pension Fund has used the Council's core Financial Management System, Agresso Business World, since 2003. The Avon Pension Fund accounts sit within the Council's reporting hierarchy on the Financial Management System, but the Fund is not set up as a 'standalone company'. Avon Pension Fund accounts are identified separately within the Chart of Accounts with unique identifiers, ensuring a clear separation from the accounts of the Council. The unique identifiers relate to both cost centres and account codes. Further measures to ensure separation include separate supplier references and a holding account with accumulated transactions and balances.
- 4.5 Staff from the Pension Fund and the Council's Financial Systems Team have investigated two options as to how journals could be separately identified within the Financial management system.
- 4.5 One option considered was to create a totally separate company for the pension fund within the Financial Management system. This would most clearly separate the Fund from the Council in the Financial Management System. The Council does not currently have any separate companies within the system consequently the full implications of this would require further detailed research. A major project would be required including the creation of a separate structure of accounts and new processes to replace the financial controls that are currently part of the Council's financial management system. Establishing a separate company within Agresso would break the continuity of transactions between pre

and post separation. This is particularly significant for the Pension Fund that frequently refers to historic data.

4.6 The second option considered was to maintain the Pension Fund within the current structure of the Financial Management System and to create a separate journal type identifier. This would allow all transactions relating to the Pension Fund to be separately identifiable and for all transactions unrelated to the Fund to be excluded without manual intervention.

4.7 The creation of a separate journal identifier and the development of reports utilising that identifier will meet the concerns expressed in the audit recommendation and can be achieved by the Finance Systems Team within its planned maintenance and support of the Financial Management system.

4.8 The creation of a separate company within the Financial Management System would lead to a loss of the continuity of historic data and would require significant staff time during a period when the Fund and the Council are under considerable pressure. The creation of a separate journal identifier would meet the concerns of the Auditors and could be achieved within current resources. For the reasons stated, the system will be amended to use separate journal identifiers.

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6 EQUALITIES

6.1 This report provides recommendations about the Fund's Financial Management System and no specific equalities impact assessment was carried out.

7. CONSULTATION

7.1 The External Auditors were consulted over the recommendation in this report.

8. ISSUES TO CONSIDER IN REACHING THE DECISION

8.1 The issues are detailed in the report.

9. ADVICE SOUGHT

9.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Divisional Director - Business Support) have had the opportunity to input to this report and have cleared it for publication.

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Background papers	
Please contact the report author if you need to access this report in an alternative format	