

# Tayside Pension Fund

2018/19 Annual Audit Report



 AUDIT SCOTLAND

To Members of the Tayside Pension Sub-Committee and the Controller of Audit

23 September 2019

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Key messages

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## 2018/19 annual report and accounts

- 1 Tayside Pension Fund's financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2019 and of the amount and disposition at that date of its assets and liabilities.
- 2 The management commentary, annual governance statement and governance compliance statement were all consistent with the financial statements and properly prepared, in accordance with accounting regulations.

## Financial management

- 3 The Fund has effective financial management arrangements in place. This includes comprehensive reporting of investment performance.
- 4 Systems of internal control operated effectively during 2018/19.

## Financial sustainability

- 5 The funding level has remained at 107%, based on estimates from the Fund's actuary.
- 6 The continued decrease in the ratio of active members to pensioners in the Fund's membership will make funding pension payments increasingly challenging over the longer term.

## Governance and transparency

- 7 Adequate arrangements are in place to support good governance and accountability. However, an Annual Internal Audit Report should be prepared for the Pension Sub-Committee to provide independent assurance on the overall risk management, internal control and corporate governance processes relating to the Fund.
- 8 The Fund demonstrates a commitment to openness and transparency and conducts its business in an open and transparent manner.
- 9 The outcome of the Scottish Scheme Advisory Board (SSAB) review of the future structure of the Local Government Pension Scheme in Scotland could have significant implications for Tayside Pension Fund.

## Value for money

- 10 Effective arrangements are in place to monitor and report investment performance of the Fund, and individual investment managers.
- 11 Government Pension Schemes across Scotland reported investment returns of between 4-10% for 2018/19. Tayside Pension Fund's annual rate of return was 6.39%, slightly below its benchmark.
- 12 Performance of individual investment managers was poorer than targeted with only three out of ten investment mandates performing above their benchmark.

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# Introduction

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1. This report summarises the findings from our 2018/19 audit of Tayside Pension Fund (the Fund).

2. We aim to add value to the Fund through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides, and
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Scope of our audit

3. The scope of our audit was set out in our [Annual Audit Plan](#) presented to the meeting of the Pension Sub-Committee on 25 March 2019. This report comprises the findings from:

- a review of the Fund's main financial systems
- an audit of the Fund's 2018/19 annual accounts, including the issue of an independent auditor's report setting out our opinions
- our consideration of the wider audit dimensions of public sector audit, [exhibit 1](#) as set out in the [Code of Audit Practice 2016](#).

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## Exhibit 1 Audit dimensions



## Ethical considerations

4. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2018/19 audit fee of £25,120 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

## Responsibilities and reporting

5. Dundee City Council is the administering authority for the Tayside Pension Fund. The council delegates this responsibility to the Pension Sub-Committee. The Sub-Committee is responsible for establishing effective governance arrangements and ensuring that financial management is effective. The Sub-Committee is also required to review the effectiveness of internal control arrangements and approve the annual accounts.

6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

7. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the Fund's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability.

8. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

9. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. An agreed action plan is included at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation.

11. This report is addressed to both the members of the Pension Sub-Committee and the Controller of Audit and will be published on Audit Scotland's website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

## Acknowledgement

12. We would like to thank all management and staff for their cooperation and assistance during the audit.

# Part 1

## Audit of 2018/19 annual accounts



### Main judgements

**Tayside Pension Fund's financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2019 and of the amount and disposition at that date of its assets and liabilities.**

**The management commentary, annual governance statement and governance compliance statement were all consistent with the financial statements and properly prepared, in accordance with accounting regulations.**

### Audit opinions on the annual accounts

**13.** The annual accounts for the year ended 31 March 2019 were approved by the Pension Sub-Committee on 23 September 2019. We reported, within the independent auditor's report that:

- the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2019 and of the amount and disposition at that date of its assets and liabilities;
- the management commentary, annual governance statement and governance compliance statement were all consistent with the financial statements and properly prepared in accordance with the guidance.

**14.** We have nothing to report in respect of misstatements in the information accompanying the financial statements, the adequacy of accounting records, or the information and explanations we received during the audit.

### Submission of annual accounts for audit

**15.** We received the unaudited annual accounts on 24 June 2019, in line with the agreed timetable set out in our 2018/19 Annual Audit Plan.

**16.** The working papers provided with the unaudited accounts were of a good standard and finance staff provided excellent support to the audit team. This helped ensure the final accounts audit process ran smoothly.

### Risks of material misstatement

**17.** During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and potential impact on the financial statements. These risks informed the audit strategy, resources and activity. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the annual report and accounts and any wider audit dimension risks that were identified during the audit planning process. It also details the audit procedures we have undertaken to gain assurance over these risks and our conclusions from this work.

**The annual accounts is the principal means by which the pension fund demonstrates effective stewardship and use of resources to its external stakeholders.**

## Materiality

**18.** Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the perceptions and decisions of users of the financial statements. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law). In forming our opinion on the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

**19.** Our initial assessment of materiality for the financial statements was undertaken during the planning phase of the audit and was based on the figures in the audited 2017/18 Annual Report and Accounts. These materiality levels were reported in our Annual Audit Plan presented to the Pension Sub-Committee on 25 March 2019.

**20.** On receipt of the unaudited 2018/19 Annual Report and Accounts we reviewed our materiality levels based on the actual figures for the year ended 31 March 2019. We calculate materiality at different levels and our final materiality levels are summarised in [exhibit 2](#).

## Exhibit 2 Materiality values

Materiality level	Amount
<b>Asset planning materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the investment assets within the financial statements. It has been set at 1% of net assets.	£38.931 million
<b>Asset performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated asset performance materiality at 50% of asset planning materiality.	£19.446 million
<b>Reporting threshold on assets</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£250,000
<b>Transaction planning materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the figures for dealings with members and employers within the financial statements. It has been set at 1% of contributions and transfers in from other pension funds.	£0.991 million
<b>Transaction performance materiality</b> – Using our professional judgement, we have calculated transaction performance materiality at 50% of transaction planning materiality.	£0.496 million
<b>Reporting threshold on transactions</b> – This has been calculated at 5% of transaction planning materiality.	£50,000

Source: Audit Scotland

## Significant findings from the audit in accordance with ISA 260

**21.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering

accounting policies, accounting estimates and financial statements disclosures. The significant findings are summarised in [Exhibit 3](#).

## Exhibit 3

### Significant findings from the audit of financial statements

Issue	Resolution
<p><b>1. Signing of Administering Authority's Statement of Responsibility</b></p> <p>In past years, the Chair of the Pension Sub-Committee and the Proper Officer have both signed the Administering Authority's Statement of Responsibility in the audited accounts. The Local Authority Accounts (Scotland) Regulations 2014 do not require the Proper Officer to sign this statement. As the responsibilities listed include the appointment of the Proper Officer we recommended that it would be more appropriate for this statement to only be signed by the Chair of the Pension Sub-Committee.</p>	<p>As recommended, the Administering Authority's Statement of Responsibility in the 2018/19 audited accounts has only been signed by the Chair of the Pension Sub-Committee.</p>
<p><b>2. Actuarial present value of promised retirement benefits</b></p> <p>Two distinct legal rulings, affecting Local Government Pension Schemes, have impacted upon the actuarial present value of promised retirement benefits at 31 March 2019 disclosed at Note 17 in the Fund's accounts.</p> <p>The first of these was the Guaranteed Minimum Pension case which related to sex discrimination on guaranteed minimum pension rights. As the actuary's assessment of the impact of this ruling was already reflected in the unaudited accounts no post-audit adjustment was required in respect of this.</p> <p>The other ruling was the McCloud case challenging age discrimination on pension scheme transitional protection. As the actuary's assessment of the impact of this ruling was not reflected in the unaudited accounts a post-audit adjustment was required in respect of this.</p> <p><i>Further details on both of these cases is included in the 'Impact of legal rulings on actuarial present value of promised retirement benefits' section at paragraphs <a href="#">24-31</a> below.</i></p>	<p>Management obtained a revised IAS26 actuarial report reflecting the impact of the McCloud ruling and made the required adjustment in the audited accounts. The revised assessment did not impact on the primary financial statements of the Fund but it increased the actuarial value of the promised retirement benefits as at 31 March 2019, disclosed at Note 17 in the audited accounts by £26.2 million.</p>

Source: Audit Scotland

### Qualitative aspects of the audit

**22.** We did not identify any significant issues with the qualitative aspects of the audit. However, a number of minor presentational changes were suggested to improve the readability and flow of the narrative accompanying the accounts. Officers were receptive to these suggestions and have indicated a willingness to make further improvements in future years which include plans to declutter the accounts by removing any unnecessary or duplicated information.

## How we evaluate misstatements

**23.** The £26.2 million million revision to the actuarial value of the promised retirement benefits as at 31 March 2019, disclosed at Note 17 in the audited accounts (issue 2 in [exhibit 3](#)) was the only adjustment arising from our audit which exceeded our reporting thresholds. It is our responsibility to request that all misstatements above the reporting thresholds are corrected and management has amended this in the audited financial statements.

## Impact of legal rulings on actuarial present value of promised retirement benefits

**24.** Two distinct legal rulings, affecting Local Government Pension Schemes, have impacted upon the actuarial present value of promised retirement benefits at 31 March 2019 disclosed in the Fund's accounts.

### Guaranteed Minimum Pension (GMP) case relating to sex discrimination on guaranteed minimum pension rights

**25.** Contracting out of the state earnings related pension scheme (SERPS) became possible in April 1978. This provided for reduced employer and employee National Insurance contributions in return for members receiving a GMP from an occupational pension scheme. GMPs are discriminatory in various ways. For example, they are payable at 60 for female members and 65 for male members and they are built up at different rates, reflecting the earlier payment age for women.

**26.** In October 2018 the High Court (England) held that pension schemes must equalise the discriminatory effects of GMPs. The Court's judgement will be applicable across all affected public sector defined benefit pension schemes. An interim method of calculating costs in respect of persons retiring from April 2016 and April 2021 has been agreed. However, the issue is a long standing one and the many complexities of dealing with it have meant that there is, as yet, no agreed solution to calculating the liabilities of pension schemes.

**27.** The assessed impact of this ruling on the actuarial present value of promised retirement benefits of the Fund was reflected in the *IAS26 - Accounting and Reporting by Retirement Benefit Plans* report provided by the actuary, Barnett Waddingham, at the start of June 2019. As a result, no post-audit adjustment was required in respect of this ruling.

### McCloud case challenging age discrimination on pension scheme transitional protection

**28.** In March 2011 the Independent Public Services Pension Commission published a review of Public Sector Pensions, the Hutton Report. It recommended wholesale public sector pension reform in order to place public sector pensions on a more sustainable footing. The Government largely accepted the recommendations of the report and enacted pension reforms through the Public Service Pensions Act 2013. The main changes introduced were that:

- pensions are now based on career average earnings rather than final salary
- retirement ages have been aligned with state pension eligibility age, and
- rates of the annual accrual of pension benefits have changed.

**29.** The reforms included transitional protection for scheme members approaching retirement age. In December 2018, the Court of Appeal ruled that the transitional protection provided to some members of the judiciary and fire fighters schemes amounted to unlawful age discrimination. On 28 June this judgement was upheld by the Supreme Court. Although this (McCloud) case related to specific schemes the principle also applies to Local Government Pension Schemes which have made similar changes.

**30.** Due to the timing of the Supreme Court ruling, the assessed impact of this case on the actuarial present value of promised retirement benefits of the Fund was not reflected in the *IAS26 - Accounting and Reporting by Retirement Benefit Plans* report provided by the actuary, Barnett Waddingham, at the start of June 2019. Management therefore obtained a revised IAS26 actuarial report reflecting the impact of this ruling and made the required adjustment in the audited accounts.

**31.** The revised assessment did not impact on the primary financial statements of the Fund but did result in the actuarial value of the promised retirement benefits as at 31 March 2019, disclosed at Note 17 in the audited accounts, increasing by £26.2 million.

### Auditor assurances for retirement benefits

**32.** As part of our 2018/19 audit we requested auditor assurance over the contributions payable to the Fund during the year, from the external auditors of three of the largest scheduled bodies. This was requested in accordance with the new [Protocol for auditor assurances for retirement benefits 2018/19](#).

**33.** The requested auditor assurance was provided for two of the bodies selected but the testing was not undertaken by the external auditor of the other body. We therefore undertook additional audit procedures for that body to provide sufficient audit assurance that contributions are fairly stated in the Fund's accounts.

**34.** We will liaise with management to agree how assurance over the contributions payable to the Fund can best be provided for 2019/20 onwards.

### Data analytics

**35.** In 2018/19 we used data analytics tools as part of our planned audit approach for Tayside Pension Fund. Data analytics is defined by the International Auditing and Assurance Standards Board (IAASB) as *“the science and art of discovering and analysing patterns, deviations and inconsistencies... in the data underlying...an audit...for the purpose of planning and performing the audit”*. Such techniques provide ways of dealing with high volumes of transactions as well as complexity. They can also enhance audit quality and efficiency.

**36.** As part of our audit testing of manual journals posted to the general ledger, we used a risk analysis model to identify “high-risk” journals based on a number of factors such as timing, size and nature. This provided greater focus and increased efficiency in our testing. No errors were identified through testing of manual journals.

### Follow up of prior year recommendations

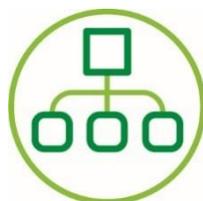
**37.** The Fund has made some progress in implementing our prior year audit recommendations. However, our 2017/18 recommendations on the provision of an Internal Audit annual assurance report (paragraphs [67](#) and [69](#)) and improvements to administration performance reporting (paragraphs [114](#) and [115](#)) have not yet been fully implemented.

### Pre-audit inspection and objections to the accounts

**38.** The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on their website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The notice for Tayside Pension Fund was published on the website of the administering authority (Dundee City Council) and complies with the regulations. No objections were received to the Tayside Pension Fund accounts.

# Part 2

## Financial management



### Main judgements

The Fund has effective financial management arrangements in place. This includes comprehensive reporting of investment performance.

Systems of internal control operated effectively during 2018/19.

### Financial performance

#### Triennial Funding Valuation

**39.** Pension fund finances are independently assessed every three years by an actuary. This assessment determines the employer contribution rates and deficit funding payments for the upcoming three-year period and takes account of the strength of employer covenants and the fund's investment strategy.

**40.** At the March 2017 triennial funding valuation, the Fund was assessed by the actuary, Barnett Waddingham, to be 107% funded, including a volatility reserve of 10% which is in place to protect the Fund from future volatility of investment returns. The funding level means that, overall, the investment assets were higher than the liabilities. This enabled the Fund to maintain the employer's contribution rate at 17% (for all employers other than Xplore Dundee) for the period 2018-2021.

#### Financial performance in 2018/19

**41.** The Fund's financial performance in 2018/19 is summarised in [Exhibit 4](#). This shows that the net assets of the Fund increased from £3,691 million at 31 March 2018 to £3,893 million at 31 March 2019. This increase of £202 million reflects the fund investment performance of 6.39% which was slightly behind the benchmark of 6.60%.

**42.** During 2018/19 benefits paid out totalled £117.6 million. This was £18.9 million greater than the contributions to the Fund which amounted to £99 million. Including administration expenses of £1.9 million, this resulted in a net withdrawal from members of £20.8 million. This was partly attributable to the increase in lump sum payments made to members accessing their pension early due to retiring under voluntary early release schemes offered by employer bodies.

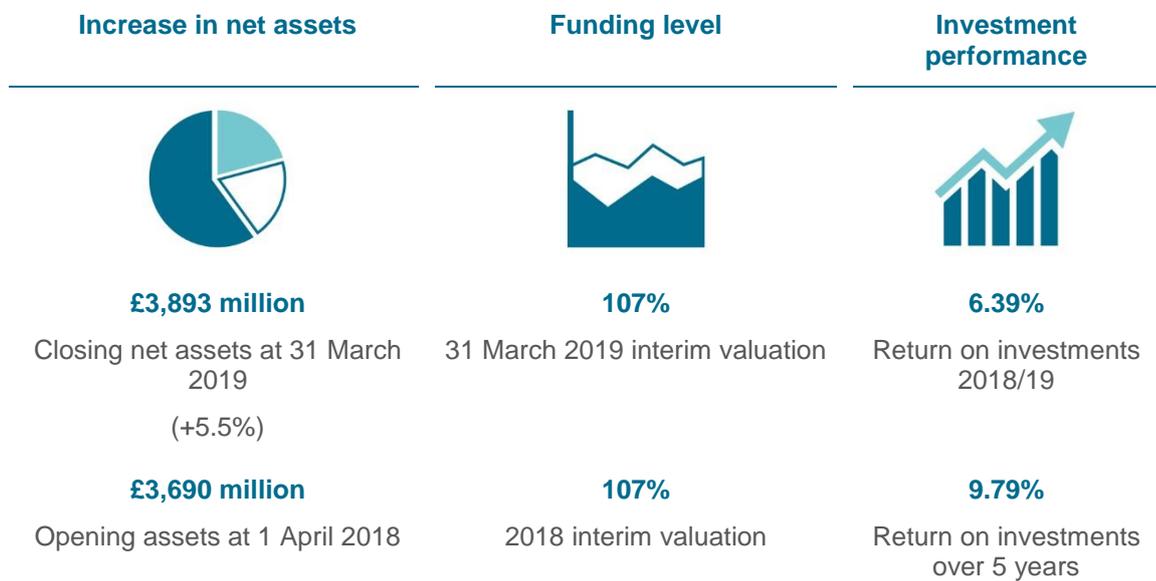
**43.** In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of pension fund liabilities (actuarial present value of promised retirement benefits) at the accounting date as required by International Accounting Standard (IAS) 26 and calculated in line with IAS 19 assumptions. This uses the same base data as the triennial funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting employer contribution rates and the Fund does not take account of liabilities to pay pensions and other benefits in the future.

**44.** The actuarial present value of promised retirement benefits estimates the Fund's liabilities increasing by £259 million from £4,256 million at 31 March 2018 to £4,515 million at 31 March 2019. It should be recognised that not all funds have liabilities assessed on the same prudential scales. The use of differing actuarial

**Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.**

firms and assumptions creates difficulties in direct comparisons. It should be noted that this valuation is an accounting estimate.

## Exhibit 4 Assets, funding level and investment performance



Source: Tayside Pension Fund 2018/19 Annual Report and Accounts

## Financial management arrangements

**45.** The Executive Director of Corporate Services for Dundee City Council is the Proper Officer responsible for Tayside Pension Fund. The financial regulations of Dundee City Council, as administering authority, apply to the pension fund. We consider these to be comprehensive, and current, and promote good financial management.

**46.** Investment performance reports are submitted to the Pension Sub-Committee on a quarterly basis. Reports are comprehensive detailing the performance of fund managers and comparing their performance against specific benchmarks. The reports also include commentaries from each fund manager.

**47.** Overall, the Fund has effective financial management arrangements in place. This includes comprehensive reporting of investment performance as discussed in section 5 of this report.

## Systems of internal control

**48.** As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that Tayside Pension Fund has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

**49.** Our work in 2018/19 covered the key controls over the systems used for pension administration activity and the pension fund's investments. The Fund also uses the financial systems of the administering authority, Dundee City Council. The main council systems used by the Fund are the general ledger system and the payroll system. Our review of the controls in operation within these systems was conducted as part of our audit of Dundee City Council.

**50.** Our findings were included in our management letter to the Pension Sub-Committee on 24 June 2019. This reported that no significant control weaknesses were identified which could affect the Fund's ability to report financial and other relevant data in the financial statements, and we concluded that systems of internal control for the Fund were operating effectively.

# Part 3

## Financial sustainability



### Main judgement

The funding level has remained at 107%, based on estimates from the Fund's actuary.

The continued decrease in the ratio of active members to pensioners in the Fund's membership will make funding pension payments increasingly challenging over the longer term.

### Funding position and financial planning

**51.** The March 2017 triennial valuation reported that the fund assets were sufficient to meet 107% of its liabilities. The interim valuation by the Fund's actuary as at 31 March 2019, estimated that the funding level had remained at 107%.

**52.** The fund actively monitors its cash-flow position and indications are that negative cash flows will be an ongoing trend. Auto-enrolment has had a positive impact on the cash flow position, but this may be offset by the change in pension regulations to allow Fund members to retire without employers' consent at the age of 55. Based on the actuarial maturity profile, the Fund is content that there is no immediate need to consider investment changes due to the cash flow position.

### Membership levels

**53.** The pension fund is a multi-employer fund with 46 employers. The current membership profile is shown at [Exhibit 5](#).

**54.** The Fund gives its members a guarantee that in exchange for contributions during their employment, the Fund will pay a pension until the end of each member's life. It is important that the fund maintains the capacity to meet the current and future needs of its members.

**55.** Membership of the fund increased by 933 (1.9%) to 48,935 members during 2018/19. This included an increase in active members of 276 (1.5%).

**56.** Although the number of active members continues to exceed the number of pensioners, the ratio of active members to pensioners has steadily reduced in recent years from 1.29:1 in 2014/15 to 1.19:1 in 2018/19. This, combined with increasing life expectancy over this period, continues to place additional pressure on the Fund.

**Financial sustainability looks forward to the medium and longer term to consider whether the Fund maintains the capacity to meet the current and future needs of its members.**

## Exhibit 5 Tayside Pension Fund membership



Source: Tayside Pension Fund 2018/19 Annual Report and Accounts

## Contributions

**57.** Following the latest triennial valuation in 2017, the actuary agreed employer contribution rates with individual employers for 2018/19 onwards. An element of these employer costs includes deficit recovery contributions to support employers financial planning. The approximate split of all contributions received in year is set out at [Exhibit 6](#).

## Exhibit 6 Contributions in 2018/19

	Administering authority £m	Other scheduled bodies £m	Admitted bodies £m	Total £m
Employer contributions	20.763	35.930	12.380	69.073
Employee contributions	7.368	12.716	4.547	24.631
Strain Contributions	0.132	2.803	0.100	3.035
Deficit Recovery Contributions	-	-	0.002	0.002

Source: Tayside Pension Fund 2018/19 Annual Report and Accounts

**58.** The Fund reported a deficit from dealings with members of £20.8m in 2018/19. This means that pension payments exceeded member contributions and investment income was used to ensure pensions were paid. Although the Fund is currently well funded to meet its liabilities, the continued decrease in the ratio of active members to pensioners in the Fund's membership will make funding pension payments increasingly challenging over the longer term.

## EU Withdrawal

**59.** There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services.
- Funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports.
- Regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

**60.** Tayside Pension Fund have had ongoing discussions with Fund Managers around the impact of EU withdrawal throughout 2018/19. Fund Managers do not feel there is a significant risk to the Fund's investments, given that it is a global fund with UK exposure of only around 20%. The Senior Manager – Financial Services, a key officer within the Fund, is part of Dundee City Council's Brexit Advisory Group and is therefore well-placed to monitor the impact on the Fund.

**61.** Management should continue to monitor the potential impact of EU withdrawal on the Fund and its wider environment.

# Part 4

## Governance and transparency



### Main judgements

**Adequate arrangements are in place to support good governance and accountability. However, an Annual Internal Audit Report should be prepared for the Pension Sub-Committee to provide independent assurance on the overall risk management, internal control and corporate governance processes relating to the Fund**

**The Fund demonstrates a commitment to openness and transparency and conducts its business in an open and transparent manner.**

**The outcome of the Scottish Scheme Advisory Board (SSAB) review of the future structure of the Local Government Pension Scheme in Scotland could have significant implications for Tayside Pension Fund.**

### Governance arrangements

**62.** Dundee City Council is the administering authority for Tayside Pension Fund. The Council has delegated responsibility for governance to the Pension Sub-Committee of the Policy and Resources Committee. This Sub-Committee, supported by the Pension Board, is responsible for establishing arrangements that ensure the proper conduct of the affairs of Tayside Pension Fund. It is also responsible for ensuring that decisions are made within the terms of the Local Government Pension Scheme.

**63.** The responsibilities of the Proper Officer, the Pension Sub-Committee and the Pension Board are set out in the Statement of Investment Principles.

**64.** The main functions of the fund are management of investments and administration of scheme benefits. These functions are carried out in accordance with the Local Government Pension Scheme (Scotland) regulations which are statutory instruments made under the Superannuation Act 1972 and Public Service Pensions Act 2013.

**65.** Training in 2018/19 has focussed on newer members of the Pensions Board and Sub-Committee and consisted of attendance at a national event run by the LGPS Scotland Investment and Governance Group, investment training sessions and completion of the remaining modules from the Pensions Regulator Trustee Toolkit.

**66.** Overall, we have concluded that adequate arrangements are in place to support good governance and accountability. However, these should be strengthened by addressing the internal audit reporting arrangements detailed at paragraph [69](#).

### Internal audit

**67.** Internal audit should provide the Fund with independent assurance on the Fund's overall risk management, internal control and corporate governance processes. The Fund's internal audit function is carried out by Dundee City Council's internal audit service.

**Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making, and transparent reporting of financial and performance information.**

**68.** During 2018/19 an Annual Internal Audit Report was issued to provide the Senior Manager's opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control of the administering authority for the year ended 31 March 2019. This report was presented to the June meeting of Dundee City Council's Scrutiny Committee. However, no separate Annual Internal Audit Report for the Fund was prepared.

**69.** As reported in prior years, we recommend that such a report should be produced for the Pension Sub-Committee to provide independent assurance on the overall risk management, internal control and corporate governance processes relating specifically to the Fund. Internal Audit have indicated their intention to consider how best to provide such a report to provide such assurances in 2019/20.



#### [Recommendation 1 \(Appendix 1 - Action Plan\)](#)

**70.** To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2018/19 we did not place any formal reliance on internal audit reviews for our financial statements audit. However, in our assessment of the control environment we considered progress against the recommendations from the 2017/18 Internal Audit report on PensionsWEB utilisation. We noted that all recommendations were either fully or partially implemented in line with agreed target dates.

## Openness and transparency

**71.** Openness and transparency means that the public, in particular, members of the pension fund have access to understandable, relevant and timely information about how the fund is taking decisions and how it is using resources.

**72.** Public sector governance guidance indicates that an organisation that is transparent shows the basis for its decisions and shares information about performance and outcomes, including when targets have and have not been achieved as well as how it is using its resources such as money, people and assets.

### Transparency of decision-making

**73.** There is evidence from several sources which demonstrate the Fund's commitment to transparency. For example, the Pension Sub-Committee and Pensions Board meetings are held in public and the minutes of all meetings are available on the administering authority's website.

### Transparency of reporting

**74.** The Fund's annual accounts are available on the administering authority's website, along with investment and administration performance information, and key governance documents.

**75.** Investment and administration performance information is reported to the Pension Sub-Committee on a quarterly basis. Investment performance reporting compares fund managers' returns against specific benchmarks. These reports are available on the administering authority's website and are sufficient to provide members of the public with in-year investment and administration performance information. Full-year performance is reported to the public as part of Annual Report and Accounts.

**76.** We concluded that the Fund demonstrates a commitment to openness and transparency and conducts its business in an open and transparent manner.

## National Fraud Initiative

**77.** The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise co-ordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different

financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity. Investigation of matches identified is carried out by the administering authority on the Fund's behalf and reported to the Council's scrutiny committee.

**78.** Each NFI exercise runs over two financial years and savings of £23,553 relating to the Fund's data matches for the 2016/17-2017/18 exercise were reported to the scrutiny committee.

**79.** Dundee City Council provided data for the 2018/19 National Fraud Initiative (NFI), which included pensions data supplied by the Tayside Pension Fund. This data was matched with other national data including Department of Work and Pensions records of deceased persons, as well as data from other local authorities and the health service. The final results of the current biennial NFI exercise are expected to be reported during 2020.

## **Standards of conduct for prevention and detection of fraud and error**

**80.** Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

**81.** We assessed the Fund's arrangements for the prevention and detection of fraud. The Fund relies on the administering body's (Dundee City Council) arrangements for the prevention and detection of fraud and corruption. These include Code of Conduct for members and officers, whistleblowing policy and an anti-fraud strategy.

**82.** We concluded that appropriate arrangements were in place for preventing and detecting fraud and corruption in 2018/19. We are not aware of any specific issues we require to bring to your attention.

## **Pensions Regulator Public Service Code**

**83.** The Pension Fund Manager and Senior Financial Services Manager monitor any potential breaches of the Pensions Regulator Public Service Code regulations. If any such incidents occur, they are discussed with the Head of Corporate Finance to establish if they are material breaches that require to be reported to the regulator. Management have confirmed that there were no reportable breaches during 2018/19.

## **Review of the future structure of the Scottish Local Government Pension Scheme**

**84.** The Scottish Scheme Advisory Board (SSAB) is undertaking a review of the future structure of the Local Government Pension Scheme in Scotland and have identified four potential options:

- Option 1: retain the current structure of eleven funds
- Option 2: promote cooperation in investment and administration between the eleven funds
- Option 3: pool investments between the eleven funds, or
- Option 4: merge the eleven funds into one or more funds.

**85.** The SSAB commissioned the Pensions Institute to consult with a range of stakeholders, including employers and employee representative groups but not investment managers, between June and December 2019. The consultation asked stakeholders to consider the advantages and disadvantages of the current scheme

structure against the other three options presented. Tayside Pension Fund's response to the consultation stated that the Fund's preference was option 2.

**86.** Following the consultation process, a draft report incorporating stakeholder views was considered at the Scheme Advisory Board meeting on 24 April 2019. The outcome of consideration by the Board and any ministerial consideration is still awaited but could have significant implications for Tayside Pension Fund. We will consider the Fund's response to the outcome of the review as part of our 2019/20 audit.

# Part 5

## Value for money



### Main judgements

**Effective arrangements are in place to monitor and report investment performance of the Fund, and individual investment managers.**

**Government Pension Schemes across Scotland reported investment returns of between 4-10% for 2018/19. Tayside Pension Fund's annual rate of return was 6.39%, slightly below its benchmark.**

**Performance of individual investment managers was poorer than targeted with only three out of ten investment mandates performing above their benchmark.**

### Investment strategy

**87.** The investment strategy of the Fund is included in the Statement of Investment Principles which was updated in March 2019. The Fund has adopted a risk/return asset framework as the basis for modelling and agreeing the investment strategy. The Fund is largely equity based, hence the Fund's investment performance is heavily reliant on the investment returns of Equity managers. The Fund continues to invest in other assets classes such as Gilts and Bonds.

**88.** The Fund also continues to invest in long term enhanced yield assets, such as UK property. At 31 March 2019, the Fund held direct property assets with a value of £472.9 million. The objective of holding such investments is to provide a long-term income stream and a degree of inflation protection. Maintaining long term investment income is important to ensuring the Fund has available funding to meet any deficit resulting from dealings with members.

**89.** Investment return and risk are inextricably linked, and it is not possible for us to comment on the relative performance of the Fund's investments given the risk exposure of the asset allocation and investments made. The current asset allocation is largely in line with the target allocation as proposed by the investment advisor as part of their review of the investment strategy, however, the Fund still requires to increase the asset value allocated to Local and Alternative Opportunities to the target allocation of 10%.

**Value for money is concerned with using resources effectively and continually improving services.**

### Investment performance

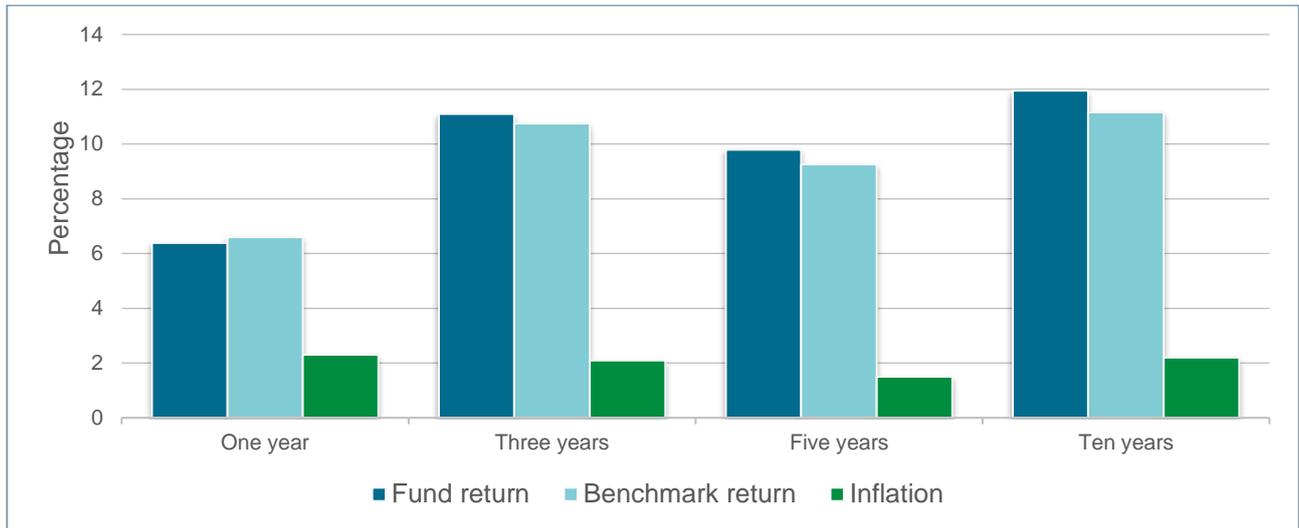
**90.** The Pension Sub-Committee meets on a quarterly basis. A review of fund managers' performance is a standing item on the Sub-Committee's agenda. At each meeting, Sub-Committee members receive a report outlining overall fund performance including an analysis of risks and returns.

**91.** [Exhibit 7](#) shows that over the year, the Fund performed slightly below benchmark in 2018/19, generating a rate of return of 6.39% against the benchmark of 6.60%. This was mainly attributable to below benchmark performance of equity managers during the year.

**92.** The medium-term performance is stronger with the Fund performing above benchmark, 11.10% against the benchmark of 10.75%, over the last 3 years. Long-term performance shows even more healthy returns of 11.95% against the benchmark of 11.16% over the last ten years.

93. Under the career average pension scheme (CARE), accrued benefits are indexed at Consumer Price Index (CPI). Benefits earned under the previous final salary schemes will continue to increase in line with earnings. As can be seen from [Exhibit 7](#), investment returns have outperformed inflation over the past ten years, going some way to meeting increases in the historic liabilities.

### Exhibit 7 Fund investment performance

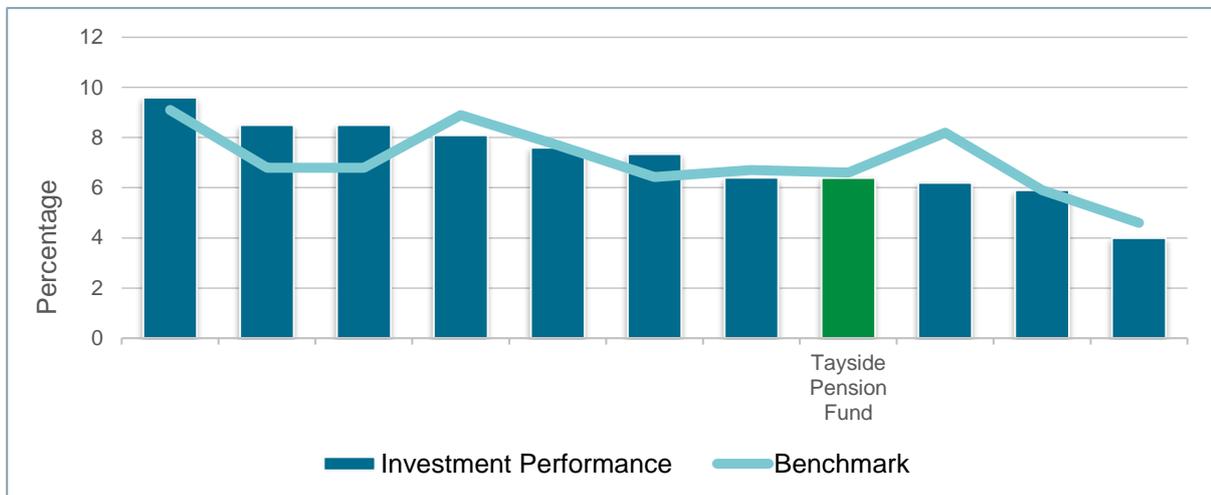


Source: Tayside Pension Fund 2018/19 Annual Report and Accounts

### Comparative investment performance in 2018/19

94. 2018/19 has been a positive year for investment performance for Local Government Pension Schemes across Scotland with all reporting investment returns of between 4-10%, as illustrated in [Exhibit 8](#). Tayside Pension Fund’s annual rate of return of 6.39% places them in the middle of this range which is a similar ranking to 2017/18.

### Exhibit 8 LGPS pension funds 2018/19 – Net return on investment and benchmark return (unaudited figures)



Source: 2018/19 LGPS pension fund unaudited financial statements

## Investment manager performance

**95.** The Fund used seven external investment managers (managing 10 distinct mandates) during 2018/19. Investment manager performance for each mandate is reported on a quarterly basis to the Pension Sub-Committee. The Fund's external investment advisor attends the meetings in an advisory capacity, when required. The external investment advisor also provides an annual report to the Pension Sub-Committee each March covering the performance of each mandate, and the full fund, for the previous calendar year.

**96.** The performance summaries presented to each meeting of the Sub-Committee include details of performance of individual mandates against benchmark for each quarter of the current year, and over the last three and five years. This allows members of the Sub-Committee to scrutinise investment performance and to question officers on the reasons for any under-performance.

**97.** During 2018/19 the overall performance of mandates was poorer than targeted with only three out of ten performing above its benchmark. However, the reported annual performance is largely attributable to the adverse quarter 3 performance when all equity investors were impacted by the market volatility resulting from the global geo-political uncertainty at that time.

### Alliance Bernstein

**98.** The Pension Sub-Committee had expressed concerns over the sub-benchmark performance of Alliance Bernstein (AB) over a number of years and their performance was subject to review in 2008 and 2010. In June 2013, following a review of the structure of the main fund, the Fund reduced AB's mandate size by 40% and allocated the mandate to Legal and General Investment Management.

**99.** The performance of AB's portfolio showed a general improvement between 2014/15 to 2017/18 but suffered a significant decline during 2018/19 with investment performance for the year being 2.64% against a benchmark of 9.42%.

**100.** Following consideration at the June meeting, the Sub-Committee approved the full transfer of AB's portfolio to Legal and General Investment Management. This transfer took place on 18 July 2019 and means that the Fund no longer have any investments managed by AB.

### Fidelity Equity

**101.** Our analysis of the performance of investment managers identified that Fidelity Equity (FE) performed significantly below benchmark in 2018/19, 7.40% against the benchmark of 10.45%. They have also performed below benchmark over the last 3 years with performance of 11.88% against a benchmark of 13.61%.

**102.** Management advised that the performance of all investment fund managers is constantly monitored and during 2016/17 the fund manager and investment strategy for Fidelity Equity was changed following consultation with the Fund's investment advisor (KPMG). Despite, the below benchmark performance in 2018/19, officers have advised that it is anticipated that performance should show improvement over the 3-year period to 2020/21 and they will continue to closely monitor FE's returns on investments.

## Securities lending

**103.** Securities lending is the act of loaning a stock, derivative or other security to an investor or firm. Securities lending requires the borrower to put up collateral, whether cash, security or a letter of credit. When a security is loaned, the title and the ownership are also transferred to the borrower.

**104.** In 2008, the Fund suspended securities lending within the portfolio due to reduced market confidence. At that time, there was only a standard operational indemnity in place for securities lending activities, and although the Fund were not subject to any market defaults, and no financial loss was suffered, suspending

securities lending was considered preventative and necessary in order to eliminate risk.

**105.** At the December 2018 meeting the Pension Sub-Committee approved resuming the Fund's securities lending programme. This reflected the advice from the Fund's investment advisor and officers view that:

- the enhanced indemnity mitigates the risk that previously resulted in the suspension of securities lending activities
- there is no detrimental impact to investment returns, and
- the revenue generated will reduce the need to disinvest from asset investments in order to pay pension benefits.

**106.** Management have advised that the custodian (Northern Trust) provide monthly reports detailing stock on loan during the period along with income generated from lending activity. These will be used to produce 6 monthly securities lending activity reports to the Pension Sub-Committee from September 2019 onwards.

## Management expenses

**107.** There are three main categories of management expense, with the largest being investment management costs. Other expenses are the cost of the administration services provided by the Council and the governance fees for actuarial and audit services.

**108.** CIPFA published revised guidance on LGPS management expenses. This guidance sets out a framework for the reporting of investment management costs and was applied from 2016/17 onwards. The new guidance recommends that only expenses that can be directly controlled by the fund should be included.

**109.** Now that the additional information on the cost of LGPS investment management services is available, the Fund should continue to review the level of management expenses. This includes the development of bench-marking information and in the context of returns achieved, to ensure that value for money is being secured.

**110.** External investment manager fees are agreed in the respective mandates governing their appointments. These are usually based on the market value of the investments under their management and therefore increase or reduce as the value of these investments' changes.

**111.** Investment management expenses have decreased from £9.248m in 2017/18 to £9.028m in 2018/19. It is noted that investment transaction costs of £0.9m are included in the 2018/19 figure, whilst £1.7m of investment transaction costs were excluded from the 2017/18 figure as they were incorrectly capitalised rather than being included in the Fund Account. Factoring this in, the decrease is £1.9m (17%). This is largely due to a decrease of £1.0m in investment management fees linked to investment manager performance, reflecting below benchmark performance during the year.

**112.** We had previously concluded that the Fund has adequate arrangements in place for monitoring investment performance and scrutinising investment management expenses. However, CIPFA guidance on management expenses has enabled greater transparency in investment management fee information including the development of benchmarking information. Management can now use the additional information available on the cost of investment management services to make informed decisions on value for money, as well as the performance of managers.

## Administrative expenses

**113.** The workload of the pension administration section continues to grow, primarily due to the introduction of the career average pension scheme (CARE) from 1 April 2015. Other factors impacting on the administration workload include auto enrolment, freedom of choice, work arising from the Guaranteed Minimum Payment Reconciliation and increased queries from pension members moving to the PensionsWEB online pension system.

**114.** We noted in our 2017/18 Annual Audit Report that administration performance is reported quarterly to the Pension Sub-Committee but that this focussed on the volume of key tasks undertaken and did not provide details of performance against targeted performance levels.

**115.** During 2018/19 some alterations have been made to show performance against targets, however, the majority of the reporting remains unchanged. Management should consider further developing the administration performance reporting to the Pension Sub-Committee to ensure this provides a clear picture of how the pension administration team are coping with the increased demand, including any impact on processing times. This would assist members of the Sub-Committee in identifying any existing or emerging pressures and the action being taken to address these.



### [Recommendation 2 \(Appendix 1 - Action Plan\)](#)

**116.** Employers are required to submit year end contribution returns by May for the preceding 31 March year end. This is an important control over the accuracy of pension contributions received and recorded in the pensions systems and is of increased importance following the introduction of CARE as the member benefit statement requires actual salary data from all employers.

**117.** All year end contribution returns relating to 2018/19 have been received, however a number were received after the deadline of 31 May. The Fund should remind employer bodies of the importance of providing complete and accurate data by the 31 May deadline, and ensure there are appropriate mechanisms in place to escalate any late provision of information in future years.



### [Recommendation 3 \(Appendix 1 - Action Plan\)](#)

## National performance audit reports

**118.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19, we published a range of reports which might be of interest to the Fund. These are outlined in [Appendix 3](#).

**119.** The Pension Sub-Committee considers Audit Scotland reports that are relevant to its remit to identify any issues that might be of interest and relevance.

# Appendix 1

## Action plan 2018/19

No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Internal Audit annual assurance report</b></p> <p>No Annual Internal Audit Report was prepared for the Pension Sub-Committee to provide independent assurance on the overall risk management, internal control and corporate governance processes relating specifically to the Fund.</p> <p><b>Risk:</b> There is a risk that weaknesses in the control environment of the Fund are not communicated to members of the Pension Sub-Committee.</p>	<p>The Pension Sub-Committee should be provided with an Annual Internal Audit Report, providing independent assurance on the overall risk management, internal control and corporate governance processes relating specifically to the Fund, prior to approving the Annual Governance Statement.</p> <p>Paragraphs <a href="#">67</a> and <a href="#">69</a></p>	<p>Discussions will be held with Internal Audit to ensure an appropriate Internal Audit Plan is in place for 2019/20.</p> <p>Senior Manager – Internal Audit</p> <p>December 2019</p>
2	<p><b>Administration performance reporting</b></p> <p>Administration performance reporting to the Pension Sub-Committee focusses mainly on the volume of key tasks rather than performance against targeted performance levels.</p> <p><b>Risk:</b> There is a risk that performance reporting is not providing Pension Sub-Committee members with a clear picture of how the pension administration team are performing.</p>	<p>Management should consider further developing the administration performance reporting to the Pension Sub-Committee to ensure this provides a clear picture of how the pension administration team are coping with the increased demand, including any impact on processing times.</p> <p>Paragraphs <a href="#">114</a> and <a href="#">115</a></p>	<p>Key performance targets will be reviewed and developed further where appropriate so as to improve clarity of performance.</p> <p>Pension Administration Manager</p> <p>March 2020</p>
3	<p><b>Contribution returns</b></p> <p>A number of employer bodies did not submit year end contribution returns by the 31 May deadline.</p> <p><b>Risk:</b> There is a risk that the late provision of contribution information impacts upon the accuracy of pension</p>	<p>The Fund should remind employer bodies of the importance of providing complete and accurate data by the 31 May deadline and ensure there are appropriate mechanisms in place to escalate any late provision of information in future years.</p> <p>Paragraphs <a href="#">116</a> and <a href="#">117</a></p>	<p>A formal year end timetable in relation to year end contribution returns will be developed and this will be communicated to employers. Progress will be actively monitored independent of the pension administration</p>



**No.**    **Issue/risk**



**Recommendation**



**Agreed  
management  
action/timing**

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contributions in the pensions system and delays the annual member benefits statement being issued.

team, with late provision to timetable being managed and escalated appropriately.

Senior Banking &  
Investment Officer

March 2020

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# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> <li>• Detailed testing of journal entries.</li> <li>• Review of accounting estimates.</li> <li>• Focused testing of accruals and prepayments.</li> <li>• Evaluation of significant transactions that are outside the normal course of business.</li> </ul>	<p>Our work did not identify any errors that required adjustment to the financial statements.</p>
<p><b>2 Risk of fraud over income and expenditure</b></p> <p>ISA 240 presumes a risk of fraud over income. This is expanded by the Code of Audit Practice and the Financial Reporting Council's Practice Note 10 (revised) to include the risk of fraud over expenditure in the public sector.</p> <p>The Fund receives a significant amount of income from third party sources, including pension contributions and investment income. This presents a risk due to the extent and complexity of income.</p> <p>The Fund also makes a high volume of payments, including high value payments, which can constitute a risk of misstatement of expenditure.</p>	<ul style="list-style-type: none"> <li>• Evaluation of the effectiveness of systems of internal control.</li> <li>• Analytical procedures on income and expenditure streams.</li> <li>• Agree income to third party confirmation.</li> <li>• Substantive testing of expenditure.</li> <li>• Evaluation of progress in relation to the 2018/19 National Fraud Initiative. Review the content of service auditor reports.</li> </ul>	<p>We did not identify any instances of income and expenditure being materially misstated.</p>

Audit risk	Assurance procedure	Results and conclusions
<p><b>3 Estimation and judgements</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of investments and the actuarial valuation of future retirement benefits. Investments include level 3 investments such as unquoted equity, where valuations involve the significant application of judgement in determining values included in the accounts. The actuarial valuation depends on a number of assumptions about the future. These include investment returns, contribution rates, commutation assumptions, pensioner mortality, discount rates and earning assumptions.</p> <p>This subjectivity entails a risk of misstatement in the financial statements.</p>	<ul style="list-style-type: none"> <li>• ‘Review of the work of an expert’ in accordance with ISA 500, for the work of third parties undertaking valuations of significant unquoted investments.</li> <li>• Confirmation of valuations to valuation reports and/or other supporting documentation.</li> <li>• ‘Review of the work of an expert’ in accordance with ISA 500, for the work of the actuary.</li> <li>• Consideration of the report by the consulting actuary to Audit Scotland on actuarial assumptions in use in 2018/19.</li> </ul>	<p>Our work did not identify any errors that required adjustment to the financial statements.</p>

#### Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p><b>4 Governance and transparency – Pension administration performance reporting</b></p> <p>In our 2016/17 Annual Audit Report, we recommended improvements to pension administration performance reporting to incorporate performance against targets and regular reporting of benchmarking performance data to members.</p> <p>In our 2017/18 Annual Audit Report, we noted that administration performance measures and targets have been identified. However, this has yet to be reflected in administration performance reporting to the Pension Sub-Committee.</p>	<ul style="list-style-type: none"> <li>• Review and assess the revised pension administration performance reporting arrangements.</li> </ul>	<p>During 2018/19 some alterations have been made to show performance against targets, however, the majority of the reporting remains unchanged. Management should consider further developing the administration performance reporting to the Pension Sub-Committee to ensure this provides a clear picture of how the pension administration team are coping with the increased demand, including any impact on processing times. This would assist members of the Sub-Committee in identifying any existing or emerging pressures and the action being taken to address these.</p> <p><a href="#">Recommendation 2 (Appendix 1 - Action Plan)</a></p>
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# Appendix 3

## Summary of national performance reports 2018/19

		 <b>2018/19 Reports</b>	
Local government in Scotland: Challenges and performance 2018		<b>Apr</b>	
Councils' use of arm's-length organisations		<b>May</b>	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		<b>Jun</b>	
		<b>Jul</b>	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		<b>Aug</b>	 Major project and procurement lessons
Children and young people's mental health		<b>Sept</b>	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		<b>Oct</b>	
Health and social care integration: update on progress		<b>Nov</b>	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		<b>Mar</b>	 Local government in Scotland: Challenges and performance 2019

### Reports of relevant interest

[Local government in Scotland: Challenges and performance 2018](#) – April 2018

[Councils' use of arm's-length organisations](#) – May 2018

[Local government in Scotland: Financial overview 2017/18](#) – November 2018

[Local government in Scotland: Challenges and performance 2019](#) – March 2019

# Tayside Pension Fund

## 2018/19 Annual Audit Report

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