

Superannuation Fund and Pensions Committee and Fife Pension Board



Due to Scottish Government guidance relating to Covid-19, this meeting will be held remotely

Tuesday, 29th March, 2022 - 10.00 a.m.

AGENDA

Page Nos.

- | | |
|--|---------|
| 1. APOLOGIES FOR ABSENCE | |
| 2. DECLARATIONS OF INTEREST – In terms of Section 5 of the Code of Conduct, members of the Committee are asked to declare any interest in particular items on the agenda and the nature of the interest(s) at this stage. | |
| 3. MINUTES – | |
| (a) Superannuation Fund and Pensions Committee meeting on 7th December, 2021; and | 3 – 7 |
| (b) Fife Pension Board comments arising from the meeting on 7th December, 2021. | 8 – 10 |
| 4. PENSIONS ADMINISTRATION PERFORMANCE MONITORING REPORT – Report by the Head of Finance. | 11 – 20 |
| 5. AUDIT SCOTLAND – ANNUAL AUDIT PLAN FIFE PENSION FUND 2021/22 – Report by the Head of Finance. | 21 – 38 |
| 6. POST AUDIT REVIEW REPORT – Report by the Service Manager, Audit and Risk Management Services. | 39 – 43 |
| 7. UPDATE ON 2021/22 AUDIT PLAN – Report by the Service Manager - Audit and Risk Management Services | 44 – 46 |
| 8. COST TRANSPARENCY (PUBLIC REPORT) – Report by the Head of Finance. | 47 – 51 |
| 9. RISK MANAGEMENT REVIEW – Report by the Head of Finance. | 52 – 71 |
| 10. PENSIONS FUND COMMITTEE WORKPLAN – Report by the Head of Finance. | 72 – 75 |

ITEMS LIKELY TO BE CONSIDERD IN PRIVATE

The Committee is asked to resolve, under Section 50(a)(4) of the Local Government (Scotland) Act 1973, as amended, to exclude the public and press from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 6 of part 1 of schedule 7a of the Act.

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|-----|--|---------|
| 11. | COST TRANSPARENCY (PRIVATE REPORT) – Report by the Head of Finance. | 76 – 80 |
| 12. | SUPERANNUATION FUND - INVESTMENT UPDATE (PRIVATE REPORT) – Report by the Head of Finance. | 81 – 87 |

Members are reminded that should they have queries on the detail of a report they should, where possible, contact the report authors in advance of the meeting to seek clarification.

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22nd March, 2022

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**THE FIFE COUNCIL - SUPERANNUATION FUND AND PENSIONS COMMITTEE AND
FIFE PENSION BOARD – REMOTE MEETING**

7th December, 2021

10.00 a.m. -13.05 p.m.

PRESENT: Committee - Councillors Dave Dempsey (Convener), David Barratt, Altany Craik, Fiona Grant, Mino Manekshaw and Alistair Suttie.

Fife Pension Board - Councillors Dave Coleman and Ian Ferguson, Robert Graham, Ross Hugh, Colin Paterson, Gordon Pryde and John Wincott.

ATTENDING: Eileen Rowand, Executive Director – Finance and Corporate Services, Elaine Muir, Head of Finance, Pamela Redpath, Service Manager, Audit and Risk Management Services, Laura C Robertson, Finance Operations Manager, Anne Bence, Accountant, John Mackie, Pension Administration Team Manager, Fiona Clark, Pensions Specialist, Revenue and Commercial Services, Helena Couperwhite, Manager - Committee Services, and Wendy MacGregor, Committee Officer, Legal and Democratic Services, Finance and Corporate Services.

ALSO ATTENDING: Robert Bilton, Fund Actuary, Hymans Robertson; Brian Howarth, Audit Director, and Tim Bridle, Audit Manager, Audit Scotland; Bruce Miller, Chief Investments Officer, Lothian Pension Fund and Clare Scott, Independent Professional Observer.

APOLOGY FOR ABSENCE: Fife Pension Board - Vicki Wyse.

166. DECLARATIONS OF INTEREST

No declarations of interest were made in terms of Standing Order no 7.1.

167. MINUTE

The Committee considered:-

- (a) the minute of the meeting of the Superannuation Fund and Pensions Committee of 28th September, 2021.

Decision

The Committee

- (1) agreed to approve the minute; and
- (2) noted, in relation to para 161 (2) of the minute, that the Head of Finance would review the requirement to report any significant risks to the Committee on a regular basis rather than in an annual report.

(b)/

- (b) the note of meeting of the Fife Pension Board of 28th September, 2021.

Decision

The Committee noted:-

- (1) the comments arising from the meeting on 28th September, 2021; and
- (2) the updates provided by the Head of Finance on areas within the Fife Pension Board comments.

168. FIFE PENSION FUND ANNUAL AUDIT REPORT AND AUDITED ACCOUNTS

The Committee considered a report by the Head of Finance containing the Audited Accounts for Fife Pension Fund for 2020-21 and the Annual Audit Report. A brief response to the External Auditor's report to Fife Council and the Controller of Audit was included in the report.

Decision

The Committee:-

- (1) approved the Audited Accounts for signature;
- (2) noted the positive report by Audit Scotland, the Council's External Auditors and the management response; and
- (3) acknowledged thanks and appreciation from the Head of Finance to Fife Council Staff for their contribution in the preparation of the Annual Accounts during a challenging year, in particular the Pensions Investment and Pensions Administration Teams, also the staff from Audit Scotland for their contribution to the process.

169. PENSION FUND BUDGETARY CONTROL

The Committee considered a report by the Executive Director, Finance and Corporate Services detailing the projected outturn of the Pension Fund for 2021-22.

Decision

The Committee:-

- (1) noted the projected outturn for 2021-22; and
- (2) noted that further reports in relation to the financial position of the Fund would be submitted to the relevant Committee on a bi-annual basis.

170. PENSIONS ADMINISTRATION MONITORING REPORT

The Committee considered a report by the Executive Director - Finance and Corporate Services, providing monitoring information on the performance of the Pensions Team.

Decision/

Decision

The Committee:-

- (1) considered and acknowledged the level of annual performance relative to the target and to the previous year;
- (2) noted concerns raised in relation to missing and inactive links on the website www.fifepensionfund.org; and
- (3) agreed that the performance from the in-house AVC provider Prudential was unsatisfactory, following the introduction of a new system which caused an unforeseen impact on their ability to invest and return payments, delaying payments to 19 Fife Council retiring members. Frequent updates on the matter would be provided to the Committee and Fife Pension Board from the Head of Finance, on the situation when available.

The Committee adjourned at 11.40 a.m.

The Committee reconvened at 11.45 a.m.

171. UPDATE ON 2021/22 AUDIT PLAN AND SUMMARY OF AUDIT REPORTS ISSUED

The Committee considered a report by the Service Manager, Audit and Risk Management Services providing an update on the 2021/22 audit plan and a summary of each audit report issued.

Decision

The Committee noted the contents of the report.

172. POST AUDIT REVIEW

The Committee considered a report by the Service Manager, Audit and Risk Management Services on the Post Audit Review (PAR) relating to internal audit reports issued since 27th February, 2020. Actions were complete for all reports issued prior to that period.

Decision

The Committee:-

- (1) noted the contents of the report; and
- (2) acknowledged the progress that had been made in implementing recommendations.

173. NATIONAL FRAUD INITIATIVE 2020/21 PROGRESS

The Committee considered a report by the Service Manager, Audit and Risk Management Services advising of the required process for the 2020/21 National Fraud Initiative Exercise.

Decision/

Decision

The Committee

- (1) noted the contents of the report; and
- (2) acknowledged the progress made to date and the outcome of the June 2021 Pensions to DWP Deceased exercise.

174. PENSION FUND COMMITTEE WORKPLAN

The Committee considered a report by the Head of Finance providing an overview of the proposed agenda items for future meetings of the Superannuation and Pension Fund Committee and the annual cycle.

Decision

The Committee noted the content of the report.

175. SUPERANNUATION FUND - INVESTMENT UPDATE (PRIVATE REPORT)

The Committee resolved, under Section 50(a)(4) of the Local Government (Scotland) Act 1973, as amended, to exclude the public and press from the meeting for the following items of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 6 of part 1 of Schedule 7a of the Act.

The Committee considered a report by the Head of Finance providing an overview of the Fund's investments as at 30th September, 2021. A verbal update on manager monitoring activity and of investment strategy was also provided.

Decision

The Committee noted:-

- (1) the Fund's strategic asset allocation and current allocations relative to target;
- (2) the value of the Fund's assets on 30th September, 2021 after a return of +1.1% over the quarter;
- (3) that the Fund was making steady progress towards its revised target allocations as agreed in June 2021, and
- (4) that longer term absolute returns were strong and relative returns were above both the asset and liability benchmarks.

176. CONTRIBUTION STABILISATION MECHANISM (PRIVATE REPORT)

The Committee considered a report by the Head of Finance detailing the approach taken in relation to the contribution stability mechanism. The Committee were invited to discuss the relevant issues to consider when assessing whether the mechanism could be extended to a participating employer in the Fund.

Decision/

Decision

The Committee:-

- (1) considered and noted the contents of the report;
- (2) noted that, to date, there had been successful application of phasing of increases in contribution rates for purposes of affordability and stability; and
- (3) agreed that the Stabilisation Mechanism would be reviewed during the 2023 valuation process in line with the recommendation submitted by the Actuary.

Councillor Fiona Grant left the meeting during consideration of the above item.

Fife Pension Board Meeting

7 December 2021, 08:45

Remote by Teams

Present: John Wincott (Chair), Ross Hugh, Robert Graham, Colin Paterson, Cllr Ian Ferguson, Cllr Dave Coleman, Gordon Pryde, Clare Scott (IPO)

Apologies for absence: Vicki Wyse

Pre-meeting (08:45):

1. Superannuation Fund and Pensions Committee Minute of 28th September

The Board welcome the commitment at Para 162 (2) that risks would be reviewed on a regular basis but are of the view that this should be on a more frequent basis than annual reporting.

The Board noted that a working definition of a fossil fuel company was still to be established (Para 160 (4)). The Board would keep a watching brief to ensure that this was forthcoming.

2. Fife Pension Fund Annual Audit Report and Audited Accounts 2020-21

The Board noted that the Audit Report displayed detail that Fife's administration cost at £60 per member was the third highest in Scotland. Whilst this report gives an estimate of costs there was no comparable explanation of benefits. The Board were of the view for the benefits of transparency it would be beneficial for more benchmarking detail.

Discussion took place around the sign off of the Audited Accounts by the external auditors. It was agreed to seek clarification.

3. Pension Fund Budgetary Control

Discussion took place around Administrative, Oversight and Transaction costs. It was considered that that it would be useful to have more detail on the level of Administrative costs (£1.9m).

4. Pensions Administration Monitoring

The Board were updated that UNISON members had been in contact with the Branch and that considerable problems had been encountered by their members when trying to access their AVCs from Prudential when retiring. Para 2.5 of the Minute confirmed that these problems had been resolved. It was the view of the UNISON members on the Board that this was not the case. It was agreed that this would be pursued at the Committee.

CP was also of the opinion that it would be beneficial to request if it were possible to receive statistical information on the breakdown of flexible retirements between the old categories of Single Status and Manual employees.

5. Post Audit Review

The Board note that there are a number of outstanding issues in relation to the introduction of an Information Asset Register (IAR) and the review of the Retention Schedule where implementation is now due by 31/12/22. The Board would welcome a report on progress of the outstanding issues, including those which were anticipated to be completed by 31/12/21.

6. Pension Fund Committee Workplan

The Board welcome the improvement the improvement from previous reports. This provides greater clarity as to the proposed agendas for future meetings of the Superannuation and Pension Fund Committee.

7. Stabilisation Report

The Board expressed concern that the report focussed too much on Fife College and there was not sufficient detail on general application and process.

Post meeting.

Present: John Wincott (Chair), Ross Hugh, Cllr Dave Coleman, Cllr Ian Ferguson, Gordon Pryde.

Apologies for absence: Vicki Wyse

1. Review of Committee Decisions

The Board agreed that there were no decisions agreed made at the Committee that had resulted in a requirement for the Board to request a review.

2. Superannuation Fund and Pensions Committee Minute

The Board welcome the commitment to provide regular updates to Committee on any significant risks rather than record in an annual report.

3. Fife Pension Fund Annual Audit Report and Audited Accounts 2020-21

The Board reiterated their comments from the pre-meeting of the necessity for there to be rigorous scrutiny of both costs and service. The Board are of the view that the scrutiny should not only should focus on the narrow area of costs but also on the level of service. Benchmarking therefore between other Funds on the matter of service is also required.

4. Pensions Administration Monitoring

The Board continue to be very concerned about the performance from Prudential as regards members problems with their AVCs and are extremely disappointed that these members have been adversely affected.

The Board appreciate the additional work and demands this has placed on the Pensions Administration Team and are thankful to the team for their commitment to dealing with the issues. Nevertheless the Board consider that the performance of Prudential is unsatisfactory

The Board welcomes the Convenor's request for offline updates.

5. Stabilisation Report

The Board welcome that the Stabilisation Mechanism will be reviewed during the 2023 valuation process in line with the recommendation submitted by the Actuary Stabilisation Report. A transparent review, including all employers is necessary and it is welcome that it will begin twelve months before the next valuation so that it can be conducted thoroughly.

6. AOB

The Board would wish to thank all the team members in both the Pension Administration Team and the Investment Team for their commitment.

Meeting Closed

29th March, 2022

Agenda Item No. 4

Pensions Administration Performance Monitoring Report

Report by: Elaine Muir, Head of Finance

Wards Affected: N/A

Purpose

To provide the Committee with monitoring information on the performance of the Pensions Administration Team as well as providing an update on other activities undertaken by the Team. The report also provides an outline of the KPI review and a proposal for improvement

Recommendation(s)

The Committee is asked to

- (1) Consider the level of annual performance relative to the target and to the previous year.
- (2) Note the proposed improvements to the reporting of KPI information which will be brought forward throughout the year.

Resource Implications

Managing and monitoring team performance is important in providing an efficient service to employers and members and can highlight areas for improvement. Performance is considered and monitored to ensure regulatory timescales and Key Performance Indicators (KPIs) are met. Existing team resource will be required to develop future KPI measures and report.

Legal & Risk Implications

Team performance monitoring ensures regulatory timescales and KPIs are met.

Impact Assessment

Not relevant.

Consultation

The Fund's Independent Professional Observer provided helpful commentary on KPI information reported and signposted other funds to review. KPI information gathered from other funds has been considered during the preparation of sections of this report.

The Pension Board, comprising employer and member representatives, is integral to the governance of the Fund and they are invited to comment on the relevant matters at Committee meetings.

1.0 Background

- 1.1 Key Performance Indicators (KPIs) which support the pension administration function are collated within Altair, the pension administration software. KPIs are reported quarterly to managers.
- 1.2 The report is designed to provide formal reporting of administration performance to the Committee.

2.0 Key Performance Indicators

- 2.1 KPI information for the year from 1 January to 31 December 2021, and a comparator for the year to 31 December 2020, are detailed in Appendix A. An explanation for variance from the target is provided in the Comments section.
- 2.2 The team introduced a new process for dealing with early leavers which impacted on the performance against the target. However, this process has been in place for a few months and the team are fully trained so it is expected that performance will be improved going forward.
- 2.3 The processing of ill health retirements can be complex and can be subject to delays given the dependence on employers for information. Given the complexities that can be involved, the target is overly optimistic and will be reviewed as part of the forthcoming KPI review which will consider the potential delays that are out with the Team's control.
- 2.4 Keeping in mind the Pension regulator's guidance on priority work, the team are now providing a "business as usual" service to members and carrying out all administrative tasks.

3.0 Administration Team Activity

- 3.1 The Team has introduced a new process for early leavers who are not entitled to deferred pensions because they do not meet the two years qualifying period. On leaving, as well as being notified of the refund amount, members are now informed of the cash transfer sum (CTS) payable to another pension provider as an alternative to taking a refund of contributions. Training has been provided to Team Members on the eligibility conditions that must be met in order to calculate a cash transfer sum, and also on how to pay a cash transfer sum. Work has also been on-going to create

a new task for inclusion in the Task Management system and for future reporting.

- 3.2 The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations came into effect on 30 November 2021. These regulations introduce further legal restrictions to a member's statutory right to transfer their deferred benefits. The regulations give administering authorities tools to act where suspicions about the circumstances that have prompted the transfer request are identified. Specific checks must be made which will determine whether a transfer request meets the conditions set out in the Regulations.
- 3.3 The Team has reviewed and amended its transfer procedure and communications in accordance with this legislation and associated guidance from The Pensions Regulator. A full in-house training exercise on the calculation and the conditions for payment of cash equivalent transfer values will be provided to Team members. This is expected to be completed by the end of April and will ultimately enhance the skills of the team members involved, negate the possibility of single points of failure in this field and improve service delivery and customer care.
- 3.4 The Team continues to work with the Oracle project team to refine and improve the reports extracted from Oracle for i-Connect purposes. There have been regular meetings with the Oracle project team to discuss improvement areas with the reports and a number of the problems identified have now been resolved. Areas still being resolved include reporting on members' salary sacrifice AVCs and salary information for those employees on authorised long-term sickness absence. We continue to work with the project team on these issues and are confident that, as these areas have been highlighted, that this will not have an effect on our ability to ensure that annual benefit statements are produced for these members by the statutory deadline.
- 3.5 Team members continue to familiarise themselves with the updated functionality of the new Fund website at www.fifepensionfund.org. The Team is currently examining the site and identifying areas for improvement. Areas where additional communication material is required to help members have been identified. Areas currently under development include providing more information to members on how they can increase their benefits and preparing for retirement.
- 3.6 A significant piece of work that will be carried out by the Pensions Team relates to the McCloud ruling. This means that the team will need to run calculations to ensure that all members who are in scope for the McCloud Judgement get the correct pension benefits. To do this a comparison between will need to be made between pension benefits accrued in the current pension scheme (CARE scheme - post 31.03.2015) with what the benefits would have been had the members still been in the final salary pension scheme up to and including 31st March 2022.
- 3.7 Following the introduction of the CARE scheme on 1st April 2015, recording of part time information stopped because membership accrual in the CARE scheme was not a factor in the calculation of CARE benefits. However, to enable the comparison calculations, all part time periods need to be recorded, as well as details of any unpaid breaks in membership from 1st April 2015.
- 3.8 The Team has held meetings with all employers informing them of data gathering and information they are required to provide as part of the McCloud project. From the

meetings held, timescales have been agreed with all employers regarding the return of their information and a project plan has been prepared accordingly.

- 3.9 The key milestone date within the project is for all employers, with the exception of Fife Council, to return the requested data by no later than 30th June 2022. This will enable the team to manage the process and to begin with data from smaller employers' whilst data is collected from the largest employer on a concurrent basis.
- 3.10 Following the meeting with Fife Council's transaction team, 3 key milestone dates have been agreed for the return their information. By 30th June 2022 we agreed to the return of information for the three years to 31st March 2018, then by 30th September 2022 the next two years to 31st March 2020 and finally by no later than end of December 2022 the final two years to 31st March 2022. This allows the team to process the data on a phased basis over the course of the year.

The phased approach for the return of Fife Council's information is recognition of the size of Fife Council as an employer in comparison to all of the other employers in the fund. Fife Council's membership of the fund is approximately 85% of the fund. This approach will allow the team to process the information over time as it is returned this will then allow them to deal with the necessary updates and processes in the pensions system methodically over time.

- 3.11 LGPS pensions will increase by 3.1% effective from 11th April 2022. The Team has successfully checked Altair's pension increase module to ensure that pensions in payment, and deferred pensions, are increased correctly from this date.

4.0 Administration Service Review

- 4.1 The fund has initiated an overall review of the present administration service of the fund. The work has entailed some self-review of all functions carried out as well as work with Hymans Robertson to allow further independent review of the administration functions of the Fund. Team members met with advisers from Hymans Robertson to ensure that the Fund is meeting its service requirements to members and employers. This was done, recognising that it continues to operate against a backdrop of LGPS administration complexity, increasing governance and reporting requirements expected by the Pensions Regulator, as well as legal cases such as the McCloud ruling impacting on pension administration functions.
- 4.2 The key findings and recommendations of both the internal and independent review were the role of Fund officers and relationship with Fife Council as the Employer, work on procedures, improvement on fund policies and consideration whether the current Team Structure is fit for purpose given the increasing levels of service demands. An action plan is being developed with a view to addressing these areas over the coming year to 18 months.

5.0 KPI Review

Current Reporting Framework

- 5.1 The current KPI framework has been in existence for a number of years and is reported to committee at each of its meetings. The information focusses on 7 activities undertaken by the team and reports a rolling calendar year. The information reported shows the total volume of cases as a number with % dealt with compared to last year and a target. Target days are also stipulated but there is no measure of actual days taken.
- 5.2 There are a number of activities undertaken by the team which are not currently measured in the report, although not exhaustive, these include:
- Deferred Benefit processing
 - Death Benefit processing
 - Transfer Out processing
- 5.3 The current reporting focuses on a 12-month rolling period therefore short-term trends are not reported. Further, if there is a dip in performance, this skews the performance over the duration of a year.
- 5.4 The KPI report has recently been expanded to include updates on performance on longer term projects such as Annual Benefit Statements and application of annual pension increase. This is provided as narrative rather than as quantitative information. This could be further enhanced by including performance against statutory deadlines, more qualitative information around customer satisfaction, sourcing data from employers and measures around data quality and data improvements.
- 5.5 The current reports also focus on work completed, there is no measure of outstanding cases.

Review of KPIs

- 5.6 A desktop review of other funds KPI reports has been carried out and a number of good practice points have been identified which have been a good starting point for consideration with a view to developing the suite of KPIs further.
- 5.7 Good practice identified the following:
- Inclusion of an annual plan for the Team which includes a timeline of when activities are due to take place and what has been completed on time. A range of activities are included in the plan such as Annual Benefit statements, sourcing of accounting information to comply with IAS19 and Tax information. The inclusion of such a plan sets out the key activities the Team will be carrying out and raises awareness for the Committee.
 - Inclusion of statistics and data on members information which provides context as to the size of the fund.
 - It was noted that the KPI reports reviewed contained similar performance standards and activities. However, it was more commonly – quarterly performance being reported rather than rolling annual statistics. The inclusion of quarterly performance allows short term trends to be monitored and eliminates continued reporting of legacy issues which may have been experienced earlier in

the year but then rectified. Further, information on outstanding cases was also included in a number of cases.

- One area of good practice was targets being agreed and clearly defined and based on statutory and regulatory guidelines. This has the benefit of ensuring all stakeholders understand the basis for measuring performance.

Way Forward

- 5.8 Before developing a revised set of KPIs, it has become clear that consideration should be given to the availability of the data in the system and the ability to extract that data. Further, consideration will be given to whether there is further software or a Business Intelligence tool that can be used to make the production of KPIs easier.
- 5.9 Following the Administration Review with Hymans Robertson, one recommendation being taken forward is to agree an updated Administration Strategy. This will be presented to the next Pensions Committee for agreement following the upcoming Local Government elections. This strategy will include details of performance standards and targets for both employers and the Administering Authority. Agreement of these targets will then form the basis for future KPI reporting.
- 5.10 Internal Audit and Risk Management Services are currently undertaking an audit of the KPIs, and it is appropriate that the development of revised KPIs should also consider any Audit findings and recommendations. This will be a useful input to the further development of the KPIs.
- 5.11 It is proposed that a suite of KPIs be developed based on the good practice identified, the revised Administration Strategy and the audit recommendations. This proposal will be developed in conjunction with the Committee and Board and include agreement of setting of targets in advance in line with regulations and inclusion of an annual plan of scheduled work.
- 5.12 An action plan will be developed documenting the actions that need to take place to develop the KPIs, collect the data and enhance the reporting.
- 5.13 Quarterly performance will be monitored, along with outstanding cases, allowing the Committee to assess trends in performance information and be aware of any backlogs and associated reasons.

6.0 Conclusions

- 6.1 This report provides members with monitoring information on the Pension Administration Team's performance and service delivery to employers and members of the Fund in the year to 31st December 2021.
- 6.2 Other activities continue to be advanced by the Team including a review of processes and governance arrangements.
- 6.3 Good practice in terms of KPI reporting has been identified with a view to revising the reporting arrangements for Fife Pension Fund to increase both the quantitative and qualitative information being presented.

List of Appendices

Appendix A – Pension Team Performance Indicators

Report Contact

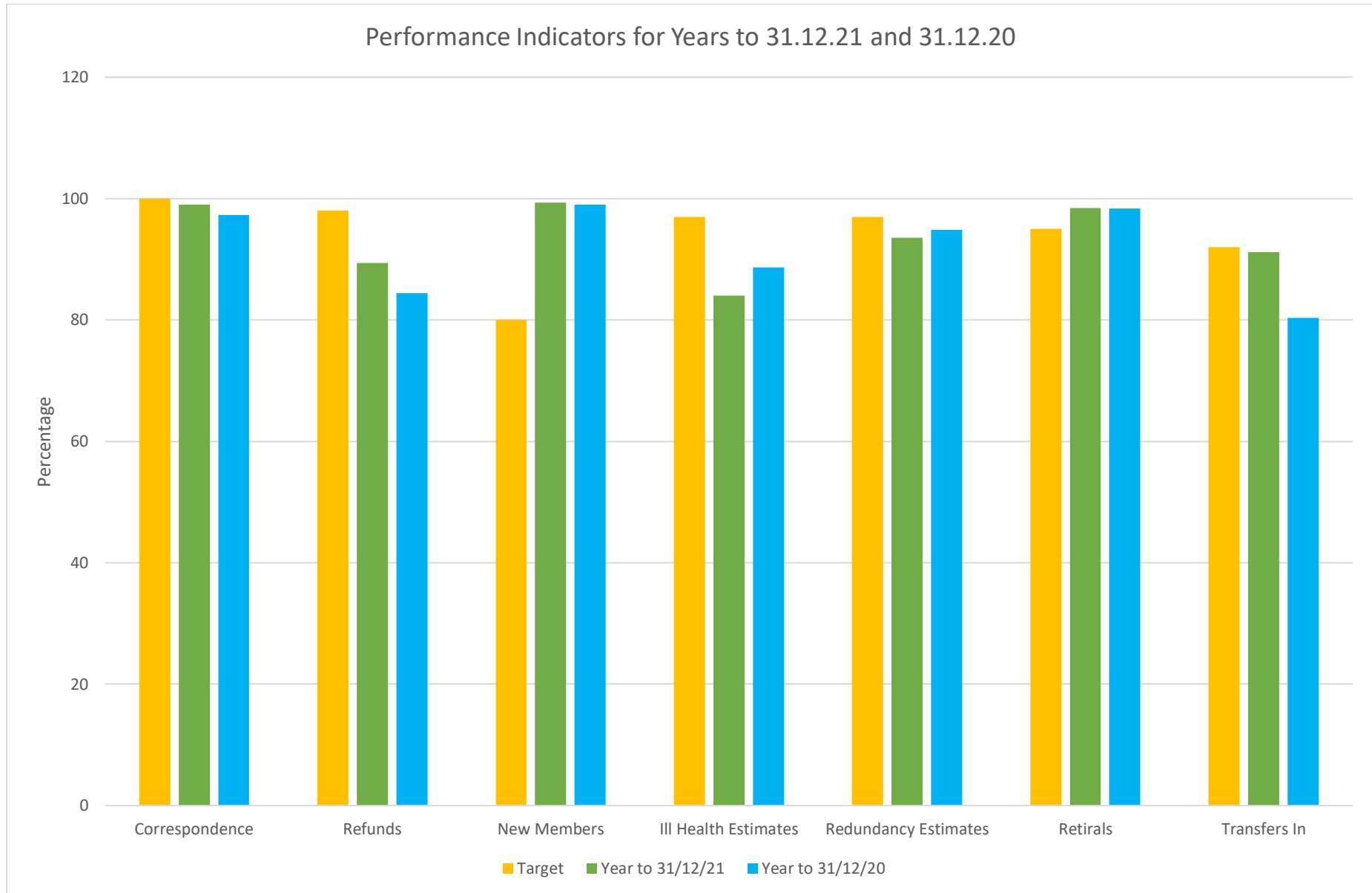
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Appendix A



Appendix A

KPI	From 01.01.2021 to 31.12.2021	Total Cases 01.01.2021 to 31.12.2021	From 01.01.2020 to 31.12.2220	Total Cases 01.01.2020 to 31.12.2020	Target Days	Target %	RAG Status	Comments
Correspondence	99.02%	102	97.33%	75	10 days	100%		1 complex case required further investigation.
Refunds	89.36%	592	84.40%	513	5 days	98%		Refund processing impacted by introduction of new early leaver process in November/December.
New Members	99.30%	2156	98.97%	1753	20 days	80%		
Ill health Estimates	84%	75	88.68%	53	13 days	97%		Cases over target were either complex requiring further legislative investigation, or we were reliant on employers to provide historic pay information so ill health enhancements could be calculated. This impacted on the processing of estimates.

Appendix A

Redundancy Estimates	93.58%	109	94.87%	117	13 days	97%		The team dealt with complex cases requiring further legislative investigation. The team also had to liaise with employers about HMRC rules on loss of protected pension age for members retiring before age 55. Workforce change exercises highlighted members aged under 55 who also had other LGPS employments.
Retirals	98.43%	638	98.38%	557	5 days	95%		
Transfers In	91.18%	34	80.30%	66	10 days	92%		

29th March, 2022

Agenda Item No. 5

Audit Scotland – Annual Audit Plan Fife Pension Fund 2021/22

Report by: Elaine Muir, Head of Finance

Wards Affected: All

Purpose

The attached report provides members with details of Audit Scotland's annual audit plan for Fife Pension Fund for the financial year 2021/22 and sets out the risks highlighted, planned work, audit scope and timing

Recommendation(s)

The Committee is asked to:-

- (1) Note the content of the Audit Scotland annual audit plan 2021/22

Resource Implications

This report does not have any direct resource implications beyond the audit fee detailed in the plan.

Legal & Risk Implications

The audit plan highlights the area of risk covered by the audit work and the details of quality control established to provide assurance of compliance with regulatory and legal requirements.

Impact Assessment

An IIA checklist is not required as this report does not recommend changes to Council policy and does not require a decision.

Consultation

Council officers have had the opportunity to review and comment on the audit plan for accuracy and have responded to this effect.

List of Appendices

- (1) Audit Scotland – Fife Pension Fund – Annual Audit Plan 2021/22 – Draft

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Fife Pension Fund

Annual Audit Plan 2021/22 – DRAFT



Prepared for Fife Pension Fund
10 March 2022

Contents

Introduction	3
Financial statements audit planning	5
Audit dimensions	9
Reporting arrangements, timetable, and audit fee	11
Other matters	14

Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2021/22 external audit of Fife Pension Fund (the Fund). The main elements of our work include:

- evaluation of the key controls within the main accounting systems
- an audit of the annual accounts and the provision of an Independent Auditor's Report which includes an opinion on statutory information published in the annual accounts, comprising the Management Commentary, the Annual Governance Statement and the Governance Compliance Statement report.
- consideration of arrangements in relation to the audit dimensions: financial management, financial sustainability, governance and transparency that frame the wider scope of public sector audit
- review the Fund's participation in the National Fraud Initiative.

Impact of Covid-19

2. The coronavirus (Covid-19) pandemic has had a significant impact on public services and public finances, and the effects will be felt well into the future.

3. The Auditor General for Scotland, the Accounts Commission and Audit Scotland continue to assess the risks to public services and finances from Covid-19 across the full range of our audit work, including annual audits and the programme of performance audits. The well-being of audit teams and the delivery of high-quality audits remain paramount. Changes in our approach may be necessary and where this impacts on annual audits, revisions to this Annual Audit Plan may be required.

Adding value

4. We aim to add value to the Fund through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we will help the Fund promote improved standards of governance, better management and decision making and more effective use of resources. Additionally, we attend meetings of the Superannuation Fund and Pensions Committee and actively participate in discussions.

Respective responsibilities of the auditor and the Fund

5. The [Code of Audit Practice \(2016\)](#) sets out in detail the respective responsibilities of the auditor and the Fund. Key responsibilities are summarised below.

Auditor responsibilities

6. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice](#) (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

7. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the Fund to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

The Fund's responsibilities

8. The Fund is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

9. Also, the Fund has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to deliver their objectives.

Managing the transition to 2022/23 audits

10. Audit appointments are usually for five years but were extended to six years due to Covid-19. 2021/22 is the final year of the current appointment and we will work closely with our successors to ensure a well-managed transition.

Financial statements audit planning

Materiality

11. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2021/22 audit

12. We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for the Fund are set out in [Exhibit 1](#).

Exhibit 1 2021/22 Materiality levels for the Fund

Materiality	Fund Name
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of net assets for the year ended 31 March 2022 based on the latest audited financial statements for 2020/21.	£33 million
Performance materiality – 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 assessed performance materiality at 60% of planning materiality.	£19.8 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£250,000

Source: Audit Scotland

Lower specific materiality levels for the 2021/22 audit

13. In addition to overall materiality, we can set lower, specific materiality levels for certain classes of transaction, account balances or disclosures where lesser amounts could influence the decisions of the users of the financial statements.

14. We recognise that transactions with members (contributions receivable and benefits payable) are of importance to the users of the financial statements and we set specific materiality levels as shown in [Exhibit 2](#).

Exhibit 2

2021/22 Lower specific materiality levels for the Fund

Specific Materiality	Fund Name
Specific materiality – It has been set at 10% of contributions receivable for the year ended 31 March 2022 based on the latest audited financial statements for 2020/21.	£10.6 million
Specific performance materiality – Using our professional judgement, we have calculated specific performance materiality at 60% of the specific materiality.	£6.4 million

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

15. Our risk assessment draws on our cumulative knowledge of the Fund, its major transaction streams, key systems of internal control and risk management processes. Also, it is informed by our discussions with management, meetings with internal audit, attendance at committees and a review of supporting information.

16. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 3](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

Exhibit 3

2021/22 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> • Assess the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Test journals at the year-end and post-closing entries and focus on risk areas and transactions with related parties. • Consider the need to test journal entries and other adjustments during the period. • Evaluate any significant transactions outside the normal course of business. • We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments.

Source: Audit Scotland

17. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statements*, there is a presumed risk of fraud in the recognition of revenue. We have considered the risk of fraud over income recognition (ISA 240). We also considered the risk of fraud over expenditure, and the risk of external fraud (in accordance with Practice Note 10 (Audit of Financial Statements and Regularity of Public Sector Bodies in the UK)).

18. We have rebutted the presumption that a material risk exists, with the exception of management override, as noted above. This is on the basis that:

- There are generally no incentives for staff to commit fraudulent financial reporting
- Income and expenditure arising from dealing with members is in accordance with regulations with low inherent risk and effective internal control arrangements
- The Fund appoints a global custodian to safeguard the assets of the fund and ensure that all investment income and transactions are brought to account

- Evidence of external fraud from the National Fraud Initiative does not indicate material risks
- Experience in the sector and of the audit of Fife Pension Fund, including a review of past misstatements.

19. Our audit testing is directed towards testing significant and unusual transactions and towards assessing accounting estimates to address any residual risk, as part of our standard fraud procedures. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Other areas of audit focus

20. As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses. If our assessment of risk changes and we consider these risks to be significant, we will communicate this to management and those charged with governance and revise our planned audit approach accordingly.

21. The areas of specific audit focus are:

- Valuation of level 3 investments. Level 3 investments involve estimation uncertainty due to the use of valuation models and unobservable inputs in their valuation. There is also a known timing lag for level 3 valuations which can mean that valuations are not up to date. Disclosure requirements for level 3 investments are complex. We will review the arrangements the Fund has in place around level 3 valuation and test a sample of investment values. We will consider any evidence of valuation changes which emerges after the balance sheet date, but before our audit is completed.
- Valuation of the present value of promised retirement benefits. This disclosure is considered significant and is subject to volatility because small changes in actuarial assumptions result in large changes to the valuation. We will consider the reasonableness of actuarial estimates on material elements of the valuation and the accuracy of information provided to the actuary by the Fund.

Audit risk assessment process

22. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

Audit dimensions

Introduction

23. The [Code of Audit Practice](#) sets out the four dimensions that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the audit dimensions in audited bodies.

Audit dimensions

24. The four dimensions that frame our audit work are shown in [Exhibit 4](#).

Exhibit 4

Audit dimensions



Source: Code of Audit Practice

25. In summary, the four dimensions cover the following:

- **Financial management** – financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.
- **Financial sustainability** – as auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term.

We define this as medium term (two to five years) and longer term (longer than five years).

- **Governance and transparency** – 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.
- **Value for money** – value for money refers to using resources effectively and continually improving services.

Audit dimension risks

26. We have not identified any significant audit risks relating to the wider audit dimensions.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

27. Audit reporting is the visible output for the annual audit. This Annual Audit Plan and our Annual Audit Report, together with any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

28. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the relevant officers to confirm factual accuracy.

29. We will provide an independent auditor's report to the Fund and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Fund and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

30. [Exhibit 5](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by 30 November 2022. We acknowledge this will be challenging due to the ongoing pressures and uncertainties caused by Covid-19.

Exhibit 5 2020/21 Audit outputs

Audit Output	Target date	Superannuation Fund and Pension Committee Date
Annual Audit Plan	31/3/2022	29/03/2022
Independent Auditor's Report	30/11/2022	TBC
Annual Audit Report	30/11/2022	TBC

Source: Audit Scotland



Timetable

31. To support an efficient audit, it is critical that the timetable for producing the annual accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 6](#) that has been discussed with management.

32. Covid-19 has had a considerable impact on the conduct and timeliness of the audit. We recognise that it is in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. To this end, 2021/22 is a transition year with the reporting deadline brought forward by one month relative to the two prior years. We are identifying ways to work more efficiently to expedite the 2021/22 audits whilst at the same time maintaining high standards of quality.

33. We will continue to work in close partnership with management with clarity over timescales and the requirement for high quality unaudited accounts and supporting working papers. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 6 Proposed annual accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual accounts by those charged with governance	30 June 2022
Latest submission date for the receipt of the unaudited annual accounts with complete working papers package.	1 July 2022
Latest date for final clearance meeting with the Director of Finance (or equivalent)	31 October 2022
Issue of Letter of Representation and proposed Independent Auditor's Report	14 November 2022
Agreement of audited and unsigned annual accounts	7 November 2022
Issue of Annual Audit Report to those charged with governance.	14 November 2022
Signed Independent Auditor's Report	30 November 2022

Source: Audit Scotland

Audit fee

34. The proposed audit fee for the 2021/22 audit of the Fund is £37,530 (2020/21: £37,500). In determining the audit fee, we have taken account of the risk exposure

of the Fund, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit.

35. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, the absence of adequate supporting working papers or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Other matters

Internal audit

36. International standards on Auditing (UK) 610: *Considering the work of internal audit* requires us to:

- consider the activities of internal audit and their effect on external audit procedures;
- obtain an understanding of internal audit activities to inform our planning and develop an effective audit approach that avoids duplication of effort;
- perform a preliminary assessment of the internal audit function when there is scope for relying on internal audit work which is relevant to our financial statements' responsibilities; and
- evaluate and test the work of internal audit, where use is made of that work for our financial statements responsibilities to confirm its adequacy for our purposes.

37. From our initial review of the internal audit plans, we plan to place formal reliance on Internal Audit's work on contribution income for our financial statements' responsibilities. We will also consider the findings of Internal Audit's work on performance management in relation to our wider code responsibilities.

Independence and objectivity

38. Auditors appointed by the Auditor General for Scotland or Accounts Commission must comply with the [Code of Audit Practice](#) and relevant supporting guidance. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

39. The engagement lead (i.e. appointed auditor) for the Fund is Brian Howarth, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the Fund.

Quality control

40. International Standard on Quality Control (UK) 1 (ISQC1) requires a system of quality control to be established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

41. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the [Code of Audit Practice](#) (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

42. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

Fife Pension Fund

Draft Annual Audit Plan 2021/22

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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29th March, 2022
Agenda Item No. 6

Post Audit Review Report

Report by: Pamela Redpath - Service Manager, Audit and Risk Management Services

Wards Affected: All

Purpose

This Post Audit Review (PAR) Report relates to internal audit reports issued since 27 February 2020. Actions are complete for all reports issued prior to that period.

Recommendation(s)

Members are asked to note the contents of this report and the progress that has been made towards implementing recommendations.

Resource Implications

N/A

Legal & Risk Implications

Non-implementation of recommendations could lead to control failures resulting in potential financial and / or non-financial losses.

Impact Assessment

An IA Checklist is not required because the report does not impact on policy and does not require a decision.

Consultation

Audit Services has consulted with all subjects of the reports.

1.0 Background

- 1.1 Post audit review is a process by which internal audit reviews whether management has implemented its agreed action plan resulting from an audit previously carried out.

This provides a structured procedure to following up on non-implementation of recommendations arising from audit reports, including reporting the outcomes to this Committee.

- 1.2 Audit Services uses Pentana, the Council's performance management system, to monitor progress with agreed actions. The use of the Pentana Actions Module means that all recommendations and actions, as agreed by Management and Audit, can be followed up on immediately after they become overdue, resulting in a more proactive approach to improvements.
- 1.3 Audit Reports are uploaded into Pentana when they are issued for each completed audit, and Services update Pentana when recommendations are implemented. This indicates the Service's progress in implementing agreed actions and provides reasons for non-implementation of recommendations. Audit Services carries out follow ups on a sample of audit reports to verify implementation.
- 1.4 Failure to update recommendations in Pentana results in triggers being breached and reminders issued to Services. Non-implementation of recommendations results in instances being reported to Heads of Service and Executive Directors, and then to this Committee.

2.0 Assessment

- 2.1 There have been five internal audit reports issued since 27/02/2020. Three of the five internal audit reports have outstanding actions. Details of the reports, along with commentary as to the current implementation status of the recommendations contained with them, can be found at Appendix 1.
- 2.2 We will continue to monitor progress towards implementation of these recommendations and, if necessary, report non-completion to this Committee. However, where Audit Services is satisfied that the risk posed by the non-implementation of a recommendation is low, no further action will be taken.

3.0 Conclusions

- 3.1 The process for Post Audit Reviews provides a structured procedure for following up on non-implementation of recommendations arising from audit reports, including reporting the outcomes to this Committee.
- 3.2 Progress with implementing recommendations has undoubtedly been impacted by Covid-19 in the last year, and outstanding actions will continue to be monitored until they have been completed to the satisfaction of Audit Services.

- 3.3 Although there are some agreed actions that have remained outstanding for longer periods than anticipated, in my view, in the overall context of the operations, the delayed implementation of these recommendations does not pose a significant risk.

List of Appendices

1. Appendix 1 – Results of Post Audit Reviews issued since 27 February 2020.

Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973:

- No background papers

Report Contact

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Auditor, Audit & Risk Management Services

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Appendix 1 - Results of Post Audit Reviews Issued since 27 February 2020

Project	Report Number	Date Issued	Total Number of Recommendations	Fully Implemented	Partly Implemented	Not Implemented		No Longer Applicable	Current Position
						Moderate	Substantial		
Internal Audit									
Management of Information - Pensions	P2	27/02/2020	4	2	0	0	2	0	<p>Recommendations 1 and 2 have now been fully implemented.</p> <p>Rec 3 – The introduction of an Information Asset Register (IAR) has been delayed by Covid-19 but will be picked up during the corporate refresh. Implementation is now due by 31.3.22.</p> <p>Rec 4 – The review of the retention schedule will be performed in conjunction with the Fife Council Records Manager and has been delayed due to resource capacity. Implementation is now due by 31.3.22.</p>
Training & Resources	P5	25/03/2021	5	4	0	1	0	0	<p>Recommendations 2, 3, 4 and 5 have now been fully implemented.</p> <p>Rec 1 – The roles and responsibilities of staff involved in managing the pension fund still need to be clearly defined and documented. Impementation is now due by 31.3.22.</p>

Project	Report Number	Date Issued	Total Number of Recommendations	Fully Implemented	Partly Implemented	Not Implemented		No Longer Applicable	Current Position
						Moderate	Substantial		
Internal Audit (Cont'd)									
Compliance with Regulations and Guidance	P6	29/03/2021	6	4	0	1	1	0	<p>Recommendations 1, 2, 4 and 5 have now been implemented.</p> <p>Rec 3 – All policies and procedures will reviewed by the end of this calendar year. Implementation is now due by 31.12.22.</p> <p>Rec 6 – This has been partially implemented as a working group has been set-up to discuss what needs to be done to update the procedures for gathering evidence required for the Annual Governance Statement but the procedures still need to be updated. Implementation is now due by 31.3.22.</p>
Total			15	10	0	2	3	0	

29th March, 2022
Agenda Item No. 7

Update on 2021/22 Audit Plan

Report by: Pamela Redpath, Service Manager, Audit and Risk Management Services.

Wards Affected: All

Purpose

This report provides an update on progress towards delivering the 2021/22 Audit Plan.

Recommendation

The Committee is asked to note the contents of this report.

Resource Implications

None.

Legal & Risk Implications

There are no risk or legal implications arising directly from this report.

Impact Assessment

An IA Checklist is not required because the report does not impact on policy and does not require a decision.

Consultation

None.

1.0 Background

- 1.1 The Audit Plan for 2021/22 was approved at the Superannuation Fund and Pensions Committee on 9 March 2021.

2.0 Update on 2021/22 Audit Plan

- 2.1 An update on progress towards delivering the 2021/22 Audit Plan is included at Appendix 1.

List of Appendices

1. Appendix 1 - Update on 2021/22 Audit Plan

Report Contact

Natasha Ashford
Auditor, Audit and Risk Management Services

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Appendix 1

Update on 2021/22 Audit Plan

2021 - 22	Planned Audits	Progress Update (As at 8 March)
5	Pensions Contributions	Fieldwork at advanced stages of completion – audit due for completion by 31.3.22.
9	Performance Management	Fieldwork ongoing - audit due for completion by 31.3.22.

29th March, 2022

Agenda Item No. 8

Cost Transparency (Public Report)

Report by: Elaine Muir, Head of Finance

Wards Affected: All

Purpose

The purpose of this report is to provide an annual update in respect of Cost Transparency for Fife Pension Fund, detailing the disclosure in Annual Report and Accounts and participation in Cost Transparency Initiative (CTI). The report also provides details of the Fund's results from the annual CEM Benchmarking.

Recommendation(s)

The committee is asked to: -

- (1) Consider the contents of the report;

Resource Implications

None.

Legal & Risk Implications

Although there are no legal or risk implications from the content of this report, there is a risk that if costs are not reported on a transparent basis that the Fund is incurring additional expenditure it is not fully aware of.

Impact Assessment

An EqIA checklist is not required because the report does not propose a change or revision to existing policies and practices.

Consultation

Consultation on the content of this report has taken place with the Joint Investment Strategy Panel and CEM Benchmarking.

The Pension Board, comprising employer and member representatives, is integral to the governance of the Fund and they are invited to comment on the relevant matters at Committee meetings.

1.0 Background

- 1.1 The Local Government Pension Scheme (LGPS), Scheme Advisory Board (Board / SAB) was set up under the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations. The purpose of the Board is to seek to encourage best practice, increase transparency and coordinate technical and standards issues as well as liaise with ministerial bodies and relevant sector regulators. The Board is keen that the LGPS is seen as a value led and innovative scheme and the increasing move toward investment fee transparency and consistency across pension funds / asset owners' forms part of this goal.
- 1.2 Cost transparency is also part of the revised CIPFA accounting standards issued for inclusion in LGPS and administering authorities' statutory annual report and accounts as well as being included in the government's criteria for pooling investments.
- 1.3 Investment costs are a complex area which pension committees and officers need to be familiar with. The LGPS Code of Transparency (set up by SAB) helps LGPS clients gather cost information in a consistent format. It should be noted that cost information must always be viewed in context of risk and return and these factors should form part of any overall value for money assessment.

2.0 Fife Pension Fund Management Costs 2020-21

- 2.1 All but one of Fife Pension Fund managers provided the CTI templates. CBRE did not provide a template, but as a property manager there are no templates available to them. All of the templates were provided by the managers in time for inclusion in the 2020-21 Annual Report and Accounts.

- 2.2 The table below summarises the management costs incurred for the previous 3 years.

	2018-19	2019-20	2020-21
	£m	£m	£m
Management Fees	7.105	8.102	9.427
Performance Related Fees	1.128	1.387	2.399
Custody Fees	0.340	0.484	0.184
Transaction Costs	0.925	3.539	2.584
	9.498	13.512	14.594

- 2.3 The Management Fees detailed above include both direct and indirect fees.

Direct fees are those invoiced to the Fife Pension Fund from the fund managers and are in most cases linked to the value of the assets held by that manager. In that respect it would be reasonable for these fees to vary as the value of the fund varies. The most volatile element relates to transaction costs. These are incurred in two ways, firstly, a fund manager will trade in markets to invest money flowing into or out

of a fund, secondly, they will implement investment decisions in the course of the day-to-day management to achieve the fund's objectives.

Indirect fees are those which are paid by the fund managers as part of the day to day trading arrangements and are included within the "(Profit) and losses on disposal of investments and changes in the market value of investments" figure in the pension fund accounts.

Where appropriate, fees incurred by the Pension Fund are agreed with fund managers when signing up to new mandates and these are documented in Investment Management Agreements.

- 2.4 To aid transparency, the Fife Pension Fund has traditionally asked the Investment Managers to provide this information at the end of each financial year and disclosed these amounts along with the direct fees to give a total management cost at the end of each financial year. The table below summarises the indirect fees included for the previous 3 years.

	£m
2018-19	4.942
2019-20	6.630
2020-21	8.856

- 2.5 Analysis of the fees would indicate that although there are movements year on year the majority of these are either in transaction costs, which reflect the investment decisions in the course of the day-to-day management, or performance fees resulting from managers exceeding their benchmark returns. This analysis reinforces the view that cost information, while always a factor, must be viewed within the context of risk and return and should only form part of any overall value for money assessment.

3.0 Investment Cost Benchmarking Analysis

- 3.1 The benchmarking analysis undertaken by CEM aims to provide comprehensive, like-for-like comparisons with similar funds. Investment costs are compared with other pension funds and other asset owners, inside and outside the LGPS. As well as costs, CEM also compare investment performance, asset mix, risk and funding to produce a report about how Fife Pension Fund compares with others and why the investment outcomes compare as they do.
- 3.2 The results for Fife are compared with 10 other LGPS Funds and 8 other funds with total assets ranging from £2.0 billion to £6.1 billion. The median size in the peer group is £2.6 billion compared with Fife Pension Fund assets of £3,306.428m as at 31 March 2021
- 3.3 Benchmarking is undertaken to help identify areas where improvements can be made to deliver better value for money. The process should facilitate:
- Comparison between costs and performance
 - The provision of evidence to support decision making relating to the sustainability and capability of the investment
 - Sharing of information and ideas with peers; and a review of performance trends over time.

- 3.4 CEM calculates a benchmark cost for Fife Pension Fund, which reflects the fund's asset class mix, relative to the asset class costs of the peer group funds.
- 3.5 Fife Pension Fund's actual costs to 31 March 2021 of approximately 0.50% of average assets were above the benchmark cost of 0.42%. The difference amounts to costs above benchmark of £2.5m for the year to 31 March 2021. CEM concludes that this higher cost is as a result of implementation style.
- 3.6 CEM concluded that Fife's investment costs were above benchmark primarily due to more partnerships for private assets (vs funds) and more fund of funds, despite the benefit of more passive management, than peers. Fife also paid more than peers for similar assets, in external global equity, and in UK credit
- 3.7 The analysis indicated that Fife Pension Fund had net total 7-year return of 9.5% which was above the LGPS median of 8.8% and in the 81st percentile of the CEM LGPS fund universe of 37 funds.
- 3.8 CEM results have also been reported to the recent Joint Investment Strategy Panel where comparison with risk was considered. In the context of risk, Fife's 7 year net return was achieved with a higher level of risk (11.6%) than the median LGPS return which was achieved with an annualised standard deviation of 10.8%.
- 3.9 Given the aforementioned 7-year return and risk figures (at 3.6 and 3.7), Fife's 7-year return/risk ratio (units of return generated per unit of risk) was 0.82. in line with the LGPS median 7-year return/risk ratio of 0.82.
- 3.10 Costs have fallen since 2014/15 from 0.68%. CEM concludes the movement of 0.18% is a result of moving to a lower cost asset mix, paying less for similar services.
- 3.11 Whilst Cost Transparency and Benchmarking against peer groups is beneficial and helps employers and Pension Committees investigate and understand their respective fees and costs, care should be taken in deriving conclusions from the headline data. CEM states that "being high or low is neither good nor bad". What matters is whether a pension fund is receiving sufficient value for the costs incurred. This is reflected in the long term returns of pension funds, net of costs.

4.0 Conclusions

- 4.1 Cost Transparency is an important part of the management of Local Government Pension Funds in order that relevant data is disclosed and both employers and Pension Committees understand their respective fees and costs.
- 4.2 Fife Pension Fund has for many years sought information from its investment managers about both the direct and indirect costs associated with its investments and has included these in its Annual Report and Accounts.
- 4.3 Fife Pension Fund investment managers provided their 2020-21 information via the CTI templates, but where this was not the case the information was provided direct to the Investment Team.

- 4.4 Analysis of the previous 3 years management costs indicates that although these vary year on year, these variations are due in the main to the day-to-day management of investment decisions or performance of the fund managers.
- 4.5 Benchmarking is also undertaken on an annual basis to provide like for like comparisons with similar funds, raising awareness of costs and allow for a review of performance trends over time.

List of Appendices

Background Papers

No background papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973.

Report Contact

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29th March, 2022

Agenda Item No. 9

Risk Management Review

Report by: Elaine Muir, Head of Finance

Wards Affected: ALL

Purpose

The purpose of this report is to provide an updated Risk Register for Fife Pension Fund. The risks associated with the Fund have been reviewed and updated scores provided to reflect the internal controls in place.

Recommendation(s)

The Committee are asked to:

Review and consider the contents of this report

Note that the risks are reviewed on a regular basis and reports will be brought forward on a quarterly basis

Resource Implications

There are no direct resource implications as a result of this report, however, should there be ineffective internal controls in place, some of the risks identified could have a significant financial impact on the Pension Fund, highlighting the need for ongoing monitoring and being risk aware.

Legal & Risk Implications

It is recognised that effective risk management is an essential element of good governance of the Local Government Pension Scheme.

Impact Assessment

An EqIA Assessment is not required.

Consultation

The Pension Board, comprising employer and member representatives, is integral to the governance of the Fund and they are invited to comment on the relevant matters at Committee meetings.

1.0 Background

- 1.1 A detailed and fund specific risk register was established in 2017 in accordance with the Pensions Regulator's Code of Practice. The risk register covers investment, governance and administration risk. It is held as a separate risk register on Pentana, Fife Council's risk management system and is reviewed on a quarterly basis by the Pensions Governance Group, which is an officers group chaired by the Head of Finance. The risk register is attached at Appendix 2.
- 1.2 Whilst the risk register forms a key part of the risk management strategy, provides structured and focussed approach to managing risks
- 1.3 An updated risk register was presented to committee in September 2021. Since that time the register has been continually reviewed with new additional risks being added, and the effectiveness of internal controls being assessed, and additional context added.

2.0 Risk Register

- 2.1 The Risk Register is a tool used by officers to manage the risks to the pension fund by documenting them, scoring them and identifying the internal controls in place to mitigate against the likelihood and impact. The Risk Register is designed to provide oversight, scrutiny and assurance for the Committee that risks are being documented and that they are being managed.
- 2.2 The risk register is continually reviewed and updated by officers on the Pensions Governance Group. Each risk score is evaluated, identifying the inherent, current and target scores.
- 2.3 For each risk, internal controls are identified which are designed to mitigate risks and reduced the risk score if these are fully effective. Details of the scoring matrix are provided as Appendix 1. Where a control is deemed to be partially effective, work is continuing to move these controls from partially effective to fully effective, where appropriate, which in turn will reduce the current risk score.
- 2.4 The risk identified in connection with Cyber Security has been updated to reflect the actions, internal controls and their effectiveness being adopted by the Council as a whole. These controls are also applicable to the Fife Pension Fund. The Altair system is hosted by the software provider who also provide certificates of compliance with Cyber Essentials.
- 2.5 Cyber Security has increased to have a risk of "high" with a target risk score of "medium", principally because of the impact and scale this would have on the fund and the Council.
- 2.6 Current risk scores have been updated since last committee to reflect improvements in internal controls and these becoming fully effective.
- 2.7 An additional risk has been added to reflect the evolution of the shared services agreement. Lothian Pension Fund Investment (LPFI) now manages investments on Fife's behalf as well as providing strategic advice. The risk is regarded as low due to it being a shared service rather than a commercial arrangement, and mitigants include the advice of independent advisors and the transparency around organisational resilience at LPFI and Lothian Pension Fund's own strategy.

- 2.8 The risk register has been updated to include the risk factors which provide more context as to why the risk exists and what factors would need to exist for the risk to crystallise and become a reality.
- 2.9 Other changes to the risk register include identification of those risks that could have financial consequences. In addition, the risk status key has been updated to provide more information based on the scoring matrix provided at Appendix 1.
- 2.10 The register illustrates that 3 risks identified with an original risk score of “high”. One of these risks have sufficient controls in place to reduce that risk to “insignificant”, one has sufficient controls to reduce to “medium”. This risk, Cyber Security has a current risk score of 12. The remaining risk has sufficient controls to reduce to “low”. In the case of this risk, work is ongoing to review procedures and eliminate single points of failure by training and developing staff.
- 2.11 Cyber Security risk has a current score of “medium” due to the likely impacts on the fund. Eight risks have a target risk score of “low” as a result of the nature of the risks and the possible impact on the fund. Controls continue to be in place and will be monitored to ensure they continue to remain effective.

3.0 Conclusions

- 3.1 The Risk Register sets out the original, target and current risk scores for all risks identified. This is reviewed on a regular basis and scores updated to reflect the effectiveness of internal controls.
- 3.2 Regular reporting will be provided to committee, recognising changes in scores and any new risks identified. Additional information has been added to the risk register to provide further clarification.

List of Appendices

1. Risk Register – Scoring Matrix
2. Pension Fund Risk Register

Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973:-

1. LGPS Risk Management Policy, Superannuation Fund and Pensions Sub-Committee and Fife Pension Board May 2019

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Appendix 1

Risk Register - Scoring Matrix

Following identification of risks, the next stage is to analyse and profile each risk. Risks are assessed by considering the likelihood of the risk occurring and the impact if it does occur. The following matrix is used to assess the risk:

Risk	Impact				
	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk Status	Insignificant	Low	Medium	High
Risk Register symbol				

When assessing the likelihood of the occurrence the following is considered:

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost certain (5)	5	Will undoubtedly happen, possibly frequently
Likely (4)	4	Will probably happen, but not a persistent issue
Possible (3)	3	May happen occasionally
Unlikely (2)	2	Not expected to happen, but is possible
Remote (1)	1	Very unlikely this will ever happen





The description of Impact is detailed as follows:

Impact Description

Impact of Occurrence	Score				
		Impact on Service Objectives	Financial Impact *	Impact on Time	Impact on Reputation
Catastrophic	5	Unable to function, inability to fulfil obligations	Severe financial loss > £500M	Serious - In excess of two years to recover pre-event position	Highly damaging, severe loss of public confidence
Major	4	Significant impact on service provision	Major financial loss £50M to £500M	Major – Between 1 year – 2 years to recover pre-event position	Major adverse publicity, major loss of public confidence
Moderate	3	Service objectives partially achievable	Significant financial loss £100K to £50M	Considerable – between six months to 1 year to recover pre-event position	Some adverse publicity, legal implications
Minor	2	Minor impact on Service objectives	Moderate financial loss £10K to £100K	Some - 2 to 6 months to recover	Some public embarrassment, no damage to reputation
None	1	Minimal impact, no service disruption	Minimal loss Up to £10K	Minimal – up to 2 months to recover	No interest to the press, internal only

Risks could have financial impacts on both individual members and the Fund depending on the nature of the risk the impact will vary.

Financial Impacts recorded in the above table relate to the Fund.

Risk Status	
	High
	Medium
	Low
	Insignificant

Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Failure to process pension payments and lump sums on time	Retiring members will be paid late which may have implications for their own finances. Reputational risk for the Fund. Financial cost to the fund if interest has to be paid to members.	Non-availability of Altair pension system, ORACLE payroll system key staff or error omission, Availability of information and payment from AVC provider etc.	Laura C Robertson	12	BC plans covering the F& CS Directorate		3	3	08-Mar-2022
					Robust maintenance and update of Altair				
					Hosted contractual arrangement for Altair including Disaster Recovery Plan and Business Continuity Plan				
					Sufficient staff cover arrangements				
					Staff training and development and checking of work				
					Robust maintenance and update of ORACLE.				
					Hosted contractual arrangement for ORACLE including Disaster Recovery Plan and Business Continuity Plan				
					Comprehensive documented procedures and guides				
					Information and Funds received from AVC providers received on a timeous basis				

Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Failure to collect and account for contributions from employers and employees on time	Adverse audit opinion for failure to collect contributions by 19th of month Potential delays to employers' FRS17, FRS102 and IAS19 year-end accounting reports	Non-availability of Authority Financials system, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. Failure of employer to provide required information.	Laura C Robertson	9	Robust maintenance and update of Altair		3	3	23-Feb-2022
					Sufficient staff cover arrangements				
					Staff training and development and checking of work				
					Ongoing communication with employers				
					Regular monitoring of cash flow				
					Robust maintenance and update of ORACLE.				
					Comprehensive documented procedures and guides				
					Maintenance and monitoring of spreadsheets ensuring contributions are paid within 19 days of pay day.				
					Budgetary control reports are prepared which estimate the costs and income based on trends of previous years. These provide indicative information to monitor financial management of the fund.				
Financial Consequences	Moderate								

Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Inability to meet liabilities as they fall due	Immediate cash injections would be required from employers or increased contribution rates.	Contributions from employees/employers too low Failure of investment strategy to deliver adequate returns Significant increases in	Laura C Robertson	12	Funding Strategy Statement identifies how employers' liabilities are best met going forward and contributions are updated in line with funding strategy which is based on a risk approach. Admitted have their own set contribution as determined by the risk-based funding strategy and reflective of their own liabilities.		4	4	24-Jun-2021
					Investment Strategy is a key determinant of funding level, risk and volatility of employer contribution rates. The strategy sets out the allocation levels across various asset policy groups and is designed to generate sufficient return to continue to pay liabilities as they fall due				

		longevity, etc.			Full Actuarial Valuation undertaken every 3 years.				
					Ongoing advice from investment consultants etc				
					Regular monitoring of cash flow				
Financial Consequences	Moderate								

Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Inability to keep service going due to loss of main office, computer system or staff	Temporary loss of ability to provide service.	Fire, bomb, flood, pandemics, flu epidemic, strike action etc.	Laura C Robertson	12	BC plans covering the F& CS Directorate		6	4	17-Sep-2021
					Robust maintenance and update of Altair				
					Hosted contractual arrangement for Altair including Disaster Recovery Plan and Business Continuity Plan				

Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Loss of funds through Fraud or Misappropriation	Financial loss to the fund	Fraud or misappropriation of funds by an employer, employee, agent or contractor	Elaine Muir	12	Regular monitoring of cash flow		3	3	17-Sep-2021
					Internal and external audit regularly test those appropriate controls are in place and working effectively				
					Regulatory control reports from investment managers, custodian, etc are also reviewed by audit.				
					Due diligence is carried out when a new Fund Manager is appointed.				
					Reliance is also placed on Financial Conduct Authority registration				
					Performance monitored on an ongoing quarterly basis				
					Newsletter for Pension Scheme members				
					Annual Employer Forum				
					National Fraud Initiative				
					Internal Policies and Procedures in place.				
Financial Consequences	Moderate								

Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Employers become unable to participate in scheme due collapse of private contractors and other bodies admitted into the Fund.	Fund matures more quickly	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, changing retirement patterns, etc.	Elaine Muir	6	Ongoing communication with employers		3	3	24-Jun-2021
					Funding Strategy Statement identifies how employers' liabilities are best met going forward and contributions are updated in line with funding strategy which is based on a risk approach. Admitted have their own set contribution as determined by the risk-based funding strategy and reflective of their own liabilities.				
					Full Actuarial Valuation undertaken every 3 years.				
					Due diligence is carried out when a new Fund Manager is appointed.				
					Employer Covenant issued by Actuary following actuarial assessment to allow admitted bodies access to the Fund.				
					Maintenance and monitoring of spreadsheets ensuring contributions are paid within 19 days of pay day.				
Financial Consequences	Major								

Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Significant rises in employer contributions due to poor/negative investment returns	Poor/negative investment returns leading to increased employer contribution rates.	Poor economic conditions, incorrect investment strategy. Poor performance of investment managers	Elaine Muir	16	Investment Strategy is a key determinant of funding level, risk and volatility of employer contribution rates. The strategy sets out the allocation levels across various asset policy groups and is designed to generate sufficient return to continue to pay liabilities as they fall due		3	3	24-Jun-2021
					Ongoing advice from investment consultants etc				
					Performance monitored on an ongoing quarterly basis				
					Diversified range of investment managers over different asset classes				
					Strategic Investment advice from Independent Advisors				

Financial Consequences	Major							

Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Failure of Global Custodian	Financial loss to the fund. Loss of information.	Financial collapse of global custodian or failure to safeguard assets or records.	Elaine Muir	5	IT contacts are managed and reviewed in line with industry best practice		4	4	17-Sep-2021
					Performance monitored on an ongoing quarterly basis				
					Legal agreement with Custodian				
					Credit Rating monitored on an ongoing basis				
					Regulated by Financial Services Authority				
					Assets not on Custodian balance sheet				
					Annual review meeting which takes place to discuss and ensure contractual obligations have been fulfilled.				
Financial Consequences	Catastrophic								

Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Failure of Investment Manager to manage equities and other investments. ?	Financial loss to the fund	Market sector falls substantially, expertise of fund managers, continuity of skills and expertise	Elaine Muir	4	Investment Strategy is a key determinant of funding level, risk and volatility of employer contribution rates. The strategy sets out the allocation levels across various asset policy groups and is designed to generate sufficient return to continue to pay liabilities as they fall due		3	3	08-Mar-2022
					Ongoing advice from investment advisers and consultants and actuaries etc				
					Due diligence is carried out when a new Fund Manager is appointed.				
					Performance monitored on an ongoing quarterly basis				
					Diversified range of investment managers over different asset classes				
					Strategic Investment advice from Independent Advisors				
Financial Consequences	Major								

Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Failure to comply with LGPS and other Regulations	Wrong pension payments made or estimates given. New scheme and regulations not fully known therefore staff will be unfamiliar	Lack of technical expertise/staff resources to research regulations IT systems not updated to reflect current legislation, etc	Laura C Robertson	9	Staff training and development and checking of work		6	2	23-Feb-2022
					Ongoing advice from investment consultants etc				
					Internal and external audit regularly test those appropriate controls are in place and working effectively				
					Regulatory control reports from investment managers, custodian, etc are also reviewed by audit.				
					Due diligence is carried out when a new Fund Manager is appointed.				
					Verification process in place within Pensions section, ongoing staff training undertaken.				

					Provision of training				
					Strategic Investment advice from Independent Advisors				
					Consultation with Peer Groups				
					In the short-term advice can be sought				
					Altair configured based on processes which are aligned to legislation ensuring compliance				
					iConnect allows verification of records from ORACLE to Altair				
					Working in collaboration with other funds on investment matters. Relationships formed with professional advisors, other funds and networks. These relationships allow the team to keep up to date with developments and changes to legislation and regulation as well as discussing and agreeing best practice.				
Financial Consequences	Moderate								





Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Failure to hold personal data securely	Data lost or compromised Reputational risk.	Insufficient security of data Inadequate data retention policy, backup and recovery procedures.	Laura C Robertson	6	Data Protection Act procedures adhered to and all staff have completed appropriate mandatory DPA training		3	3	24-Jun-2021
					Secure communications channels in place				
					System access controlled				
					Altair complies with the appropriate ISO standards require by a hosted system				












Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Failure to keep pension records up to date and accurate	Incorrect records leading to incorrect estimates being issued and potentially incorrect pensions being paid	Poor or non-existent notification of by employers of new starts, amendments, leavers, etc.	Laura C Robertson	9	Robust maintenance and update of Altair		6	3	29-Dec-2021
					Ongoing communication with employers				
					Verification process in place within Pensions section, ongoing staff training undertaken.				
					iConnect allows verification of records from Employer Payrolls to Altair				
					Member's self-service gives members the opportunity to check and update their own records				







Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Committee and board members have inadequate knowledge and understanding.	Detrimental decisions made in relation to the Pension Fund and management of the fund	Lack of training and continuous professional development.	Elaine Muir	8	Provision of training		6	4	08-Mar-2022
					Strategic Investment advice from Independent Advisors				
					Consultation with Peer Groups				
					Attendance at training events				
Financial Consequences	Major								

Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Over reliance on key officers	If an officer leaves or falls ill knowledge gap may be difficult to fill.	Specialist nature of work means there are relatively few experts in investments and the LGPS regulations.	Laura C Robertson	16	Sufficient staff cover arrangements		6	3	29-Dec-2021
					Staff training and development and checking of work				
					Ongoing advice from investment consultants etc				
					Consultation with Peer Groups				
					Key officers transfer specialist knowledge to colleagues				
					In the short-term advice can be sought				
					Working in collaboration with other funds on investment matters. Relationships formed with professional advisors, other funds and networks. These relationships allow the team to keep up to date with developments and changes to legislation and regulation as well as discussing and agreeing best practice.				

Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Failure to communicate properly with stakeholders	Scheme members not aware of their rights resulting in bad decisions Employers not aware of regulations, procedures, etc.	Lack of clear communication of policy and actions particularly with employers and scheme members	Laura C Robertson	8	Pensions website		2	2	29-Dec-2021
					Regular updates for employers				
					Newsletter for Pension Scheme members				
					Annual Employer Forum				

Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
The committee will not have a quorum able to meet and undertake the business scheduled to be considered at the meeting.	Meetings do not go ahead and decision making is delayed to subsequent meetings resulting in delay in implementation of any proposals or policy matters.	Non attendance could be as a result of: <ul style="list-style-type: none"> • Scheduling of meetings • Other commitments of elected members • Adverse weather conditions • Illness • Lack of connectivity for virtual meetings 	Elaine Muir	12	Standing Orders - As required by the Act and Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014		4	4	20-Sep-2021
					Committee Workplan				
					Virtual Meetings				
					Committee dates agreed in advance				

Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
As a result of a cyber security attack, there is a risk that data is compromised and not secure and systems do not operate	Data lost or compromised Reputational risk.	Cyber security attack could compromise the system and the data held in the system resulting in security breaches, noncompliance with legislation, potential fraud and criminal offences. Attacks could also mean the system cannot be used and as a result a service cannot be provided.	Elaine Muir	20	Maintenance of an ICT Strategy that correctly identifies and addresses the key challenges to delivering the information and technology required to support the delivery of services by Fife Council including Fife Pension Fund.		12	8	28-Feb-2022
					The strategy sets out our approach to keeping software up to date balancing the benefits of security fixes and minor upgrades against the risks of the patches impacting adversely on other elements of our infrastructure. The enhanced requirements for PSN compliance raise the importance of getting security fixes rolled out effectively.				
					Ensuring adequate provision is made for identified critical systems including, where necessary, secondary processing location in the case of the primary one failing and associated recovery procedures.				
					Corporate board has effective oversight of ICT for the Council and agrees strategic direction and policies to be applied to ensure ICT remains aligned, effective and secure.				
					IT contacts are managed and reviewed in line with industry best practice				
					The Information Governance Working Group includes senior managers from across the Council (including the Head of Finance) and is responsible for ensuring the Council's compliance in matters relating to data protection, information governance and records management. The Group will provide annual reports to the SIRO.				
					Process of gateway reviews which ensures that ICT and digital solutions are secure, sustainable, economical, and compliant to the agreed standards and regulations.				
					Administration access rights are kept to a minimum and audited on a quarterly basis to ensure only those required for a specific active purpose are in place				
					There are established processes for reporting and investigating all forms of security and Major incidents and lessons are learned from the outcomes				
					All significant proposed changes to the network, hardware and software are reviewed for potential impact on the infrastructure and to ensure there are contingency rollback options identified before they can go ahead				
					Tools are in place (including SCOM, Solarwinds) actively monitor the Council's infrastructure with the intention of fixing issues before they become faults. Also improves understanding of where faults are so that they can be resolved quickly				
Implement the Scottish Cyber Resilience Public Sector Action Plan. This sets out the key actions that the Scottish Government, public bodies and key partners will take to further enhance cyber resilience in Scotland's public sector. https://www.gov.scot/publications/cyber-resilience-strategy-scotland-public-									

					sector-action-plan-2017-18/pages/2/				
					Certificates of compliance with Cyber Essentials scheme and ISOs from Software suppliers				
					Cloud Hosting				
					Cyber Essentials Training				
									
Financial Consequences	Catastrophic								

Risk Description	Impact	Risk Factors	Risk Owner	Original Risk Score	Internal Controls Description and Effectiveness Status	Current Risk Score	Target Risk Score	Risk Last Updated	
Adverse impacts to the fund's investment strategy or portfolios arising from negligence or poor service delivery under the shared services arrangement with Lothian Pension Fund.	Potential impacts identified for this risk include – Poor strategic decisions, poor investment performance of the portfolios, lack of diversity	Poor Performance of mandates Inappropriate Investment Strategy	Elaine Muir	9	Investment Strategy is a key determinant of funding level, risk and volatility of employer contribution rates. The strategy sets out the allocation levels across various asset policy groups and is designed to generate sufficient return to continue to pay liabilities as they fall due		2	2	08-Mar-2022
					FCA Regulation of LPFI and LPF Key Persons				
					Strategic Investment advice from Independent Advisors on the JISP, and strategic advice from the fund's actuary				
					Diversified range of investment managers over different asset classes				
					Legal Agreement with LPFI limited and due diligence reviewed by Fund's legal advisers				
					Due diligence document that sets out all Investment Management arrangements with LPFI Limited and documenting the relationship with existing memorandum of understanding.				
					Conflicts of Interest Procedures/management				
					Performance monitored on an ongoing quarterly basis by Independent Advisors				
Financial Consequences	Major								

29th March, 2022

Agenda Item No. 10

Pension Fund Committee Workplan

Report by: Elaine Muir, Head of Finance

Wards Affected: All

Purpose

The purpose of this report is to provide the Committee with an overview of the proposed agendas for future meetings of the Superannuation and Pension Fund Committee and the annual cycle.

Recommendation(s)

The Committee is asked to:-

- (1) Consider and comment on the agenda planning document

Resource Implications

There are no resource implications arising from this report.

Legal & Risk Implications

There are no direct legal implications arising from this report.

Impact Assessment

An EqlA checklist is not required because the report does not propose a change or revision to existing policies and practices.

Consultation

None

1.0 Background

- 1.1 In order for the Committee and Pension Board to gain an overview of the content of future meetings, as well as an awareness of the cyclical nature of items, a committee workplan is submitted to each meeting.
- 1.2 There will, of course be specific matters and papers which need to be brought to the attention of Committee in addition to those set out in the workplan. These will be added to the work programme as soon as they become apparent
- 1.3 The workplan is attached as Appendix 1.

2.0 Workplan

- 2.1 The proposed agenda items for the June meeting is set out below, based on the usual Committee cycle plus any additional report requests:

June 2022

Superannuation and Pensions Fund Committee

- Training and Development (Policy review and monitoring)
- Pension Fund Administration Monitoring
- Annual Governance Statement
- Draft Annual Report and Accounts 2021/22
- Pension Fund Annual review
- Review of Administration Strategy
- Statement of Investment Principles
- Statement of Responsible Investment Principles (including update)
- Risk Management Update
- Update on 2021/22 Audit Plan and Summary Audit Reports Issued
- Post Audit Review Report
- 2021/22 Annual Audit Report
- 2022/23 Internal Audit Plan
- Fund Investment Update
- Asset Policy Groups & Benchmarks

Future Superannuation and Pension Fund Committee dates

The Committee meeting dates for 2022 are set out below:

- 30 June 2022

Future committee dates will be set following the Local Government Elections in May 2022.

- 2.2 Following the Local Government Elections in May, induction training will be carried out for new members. More targeted training will also be scheduled prior to committee meetings to provide more detailed information and training before reports are considered.

3.0 Conclusions

- 3.1 A detailed workplan for the business of the Committee has been prepared and outlines the cyclical nature of reports.

List of Appendices

1. Committee Workplan

Background Papers

No background papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973.

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APPENDIX 1

SUPERANNUATION AND PENSION FUND COMMITTEE WORKPLAN

Frequency	Agenda Items	Month
Quarterly	Pension Fund Administration Report Fund Investment Update Risk Register Update	All Committees
Bi-annual	Pension Fund Budgetary Control	September December
Annual	Audit Plans (internal and external) CEM Benchmarking and Cost Transparency Update on Annual Audit Plan and Summary of Audit Reports issued Post Audit Review Report Annual Report and Accounts Annual Audit Report Annual Governance statement Training and Development Statement of Investment Principles Statement of Responsible Investment Principles Annual Audit Report and Accounts Review of Shared Service Arrangement	March March June June June June June June June June June September September
Every 3 years	Actuarial Valuation Funding Statement Strategy Investment Strategy	March March June
As required	Audit Reports (Internal) Policy Reviews Currency Hedging	