

Dumfries and Galloway Council Pension Fund

2024/25 Annual Audit Report



Prepared for members of Dumfries and Galloway Council Pensions Sub-Committee and
the Controller of Audit

September 2025

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Key messages

Audit of the annual accounts

- 1 All audit opinions are unmodified, i.e. the annual accounts are free from material misstatement and have been properly prepared in accordance with the financial reporting framework.

Financial management

- 2 The Fund has effective financial management arrangements in place. This includes comprehensive reporting of investment performance. The Fund has prepared an annual budget for 2025/26 in relation to the administration costs of the Fund.
- 3 The Fund pays out more than it collects annually from fund members, investment returns are used to make up the difference. The value of the Fund increased by 3 per cent to £1.141 billion during 2024/25 and investment performance was ahead of the benchmark return set for the year.

Financial sustainability

- 4 The results of the 2023 triennial valuation showed an improved position with the Fund 122 per cent funded. This enabled the Fund to marginally reduce all employers' contributions. The Council Pool employers' contribution rate was reduced by 1 per cent each year over the period 2024-2027.
- 5 Given the funding position at 31 March 2023, and the healthy net asset position at 31 March 2025, we currently have no concerns about the financial sustainability of the Fund or the viability of the funding strategy.

Vision, leadership and governance

- 6 The Fund has adequate arrangements in place to support good governance and accountability, and scrutiny of decision-making. The Governance Policy Statement was approved by the Pensions Sub-Committee in December 2024.
- 7 The administering authority has an annual member training plan to assist members of the sub-committee in discharging their fiduciary duty.

- 8 The Fund conducts its business in an open and transparent manner and has appropriate arrangements in place to prevent and detect fraud and corruption, and to ensure compliance with the Pensions Regulator Public Service Code. However, some administration policies required by the Regulator need to be formally introduced.
- 9 Officers have undertaken a self-assessment of Fund compliance with The Pension Regulator General Code of Practice.

Use of resources to improve outcomes

- 10 2024/25 was a positive year for Scottish Local Government Pension Schemes overall. Ten funds reported positive movements in net assets during the year, although only four funds reported an above benchmark return.
- 11 The total Fund performance over the last 12 months was ahead of the benchmark return. However, only five of nine investment portfolios managed for the whole of 2024/25 performed above benchmark. Investment performance shows above benchmark returns for the Fund over the last 12 months, three years and five years.
- 12 Fund administration performance in 2024/25 is mixed against target across the key performance indicators but has improved across some performance indicators from 2023/24.
- 13 Implementing the remedy to fix unlawful discrimination in public service pension schemes and complying with Pensions Dashboard requirements will place a significant additional administrative burden on all Scottish Local Government Pension Schemes. In order to ensure that the Fund is able to comply with and fulfil these obligations, a joint resources review was undertaken by officers in 2024/25 and approved by members in May 2025 which means additional staff resources will be available from 2025/26 onwards.
- 14 The Fund launched its online member pension portal in February 2024. A pensions dashboard for members is on track to be launched by the deadline of 31 October 2025.
- 15 The administering authority has appropriate arrangements in place for securing Best Value at the Fund.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of Dumfries and Galloway Council Pension Fund's annual accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to Dumfries and Galloway Council Pension Fund, hereafter referred to as 'the Fund' and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Fiona Mitchell-Knight, of Audit Scotland, has been appointed as external auditor of the body for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Fiona Mitchell-Knight and the audit team are independent of the body in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the body, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the body and its staff, particularly those involved in preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Management Commentary and Annual Governance Statement.
- Conclusions on the Fund's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the Fund's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the Fund and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts and concluding on the body's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the body from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The Fund's responsibilities

10. The Fund has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements for the Fund that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit of the annual accounts

Main judgements

All audit opinions stated that the annual accounts are free from material misstatement.

There are no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by the Fund.

Audit opinions on the annual accounts

11. The Fund's annual accounts were approved by the Pensions Sub-Committee on 23 September 2025 and signed by the appointed auditor on 23 September 2025. The Independent Auditor's Report is included in the Fund's annual report and accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.

Audit timetable

12. The administrative burden on local government pension funds has increased significantly in recent years due to increasing complexity and the growth in employer numbers in some pension funds. Within the Fund, council officers are responsible for the administration of the Fund, production of the annual accounts and reports to members throughout the year, but also have responsibilities in the council's finance function, a challenging workload.

13. We received the unaudited annual accounts and initial working papers on 30 June 2025 in accordance with the agreed audit timetable. The unaudited accounts presented for audit were complete and of a good standard. Both finance and administration staff engaged with the audit process, responding to queries and providing the information required. The working papers checklist provided to officers in advance of the audit was fully responded to and completed by the commencement of the audit.

14. In our 2023/24 Annual Audit Report, we highlighted that there may be a capacity issue in relation to the council officers responsible for the administration of the Fund, production of the Fund's annual accounts and reports. As a result, we recommended that the Fund needed to ensure appropriate processes and procedures were in place to support the administration of the Fund, including the delivery of the annual accounts and audit process, ensuring the teams have appropriate capacity to meet these responsibilities throughout the year. Officers have made significant

progress in addressing this recommendation and whilst this has not been completed for 2024/25, increased administration and accounting staff resource has been approved for 2025/26 onwards. The revised staff resource arrangements were approved by the Pensions Sub-Committee on 6 May 2025.

Audit Fee

15. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £32,760. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

16. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

17. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor’s professional judgement.

18. Materiality levels for the audit of the Fund were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and accounts. Materiality levels were updated and these can be seen in [Exhibit 1](#).

Exhibit 1
2024/25 Materiality levels for the Fund

Materiality	Amount
Materiality – set at 2 per cent of gross investment assets.	£21.924 million
Performance materiality – set at 70 per cent of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£15.346 million
Reporting threshold – set at 5 per cent of materiality.	£1.096 million

Source: Audit Scotland

19. ISA 320 states that in certain circumstances it is appropriate to set a separate materiality level (or levels) for classes of transaction, account balances or disclosures. This is a matter where auditors need to apply their judgement. As contributions received and benefits paid are considered to be of public interest and applying the above materiality figures would dwarf these figures, a separate lower materiality level has been set for contributions received and benefits paid. For these two account areas materiality levels have been set as follows:

- Materiality – based on a threshold of 10 per cent of benefits paid, overall materiality has been calculated as £4,481,000.
- Performance materiality – based on a 75 per cent threshold, performance materiality has been calculated as £3,360,750.
- Reporting threshold – capped at 5 per cent of planning materiality, clearly trivial has been calculated as £224,050.

Significant findings and key audit matters

20. International Standard on Auditing (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the Fund is the Pensions Sub-Committee.

21. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

22. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

23. There are no significant findings or key audit matters to report.

There are no issues to report on the qualitative aspects of accounting practices

24. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the body's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

25. The appropriateness of accounting policies adopted by the body was assessed as part of the audit. These were considered to be appropriate to

the circumstances of the body, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Accounting estimates

26. Accounting estimates are used in number of areas in the Fund's financial statements, including the valuation of Level 2 and Level 3 investments. Audit work considered the process management of the body has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

27. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 3](#).

Disclosures in the financial statements

28. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as Level 2 and Level 3 investments.

Audit adjustments

29. It is our responsibility to request that all misstatements above the reporting threshold are corrected. There were no uncorrected misstatements above our reporting threshold.

30. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £1.096 million are outlined in [Exhibit 2](#).

Exhibit 2

Audit adjustments

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)		Balance Sheet	
		Dr	Cr	Dr	Cr
Audit adjustments to financial statements		£000	£000	£000	£000
DGCPF's Lothbury Investment was initially disclosed as a Level 3 pooled property investment, however, this is actually cash due from the investment manager (Level 1).					
	Cash due from Managers			2,959	
	Investment Assets				(2,959)
Net impact on financial statements		-	-	2,959	(2,959)
Audit adjustments in disclosures					
1. DGCPF's creditor balance with DGC of £1.316 million was disclosed in Note 21 as a central government creditor, however, DGC is a local government body. This was amended to reflect the creditor to "Administering Authority" in Note 21.					
2. Note 19 disclosure of the Fair value of scheme assets (bid value) was £1.138bn. This was updated to agree to the Net Assets Statement (£1.141bn) which increase the disclosure note by £3 million.					

Source: Audit Scotland

Significant risks of material misstatement identified in the Annual Audit Plan

31. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 3](#).

Exhibit 3

Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Planned audit response	Outcome of audit work
<p>Fraud caused by management override of controls</p> <p>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>The audit team will:</p> <ul style="list-style-type: none"> • Assess the design and implementation of controls over journal entry processing. • Test journal entries, especially those at year end around valuations (particularly for Level 3 investments) • Review accounting estimates for biases. • Test any significant transactions at/around year-end and outside the normal course of business. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. <p>Conclusion: no evidence of fraud caused by management override of controls.</p>
<p>Estimation applied to Level 3 Investments</p> <p>There is a significant degree of subjectivity in the measurement and valuation of investments. Level 3 investments have at least one input that could have a</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Confirm year-end valuations to valuation reports and/or other supporting documentation, including third party confirmation. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • No significant issues were identified between year-end valuations and valuation reports and/or other supporting documentation, including third party confirmation.

Significant risk of material misstatement	Planned audit response	Outcome of audit work
significant effect on the instrument's valuation that is not based on observable market data. Changes in the valuation assumptions used could affect the net book value of the investments and valuations and involve the application of considerable judgement in determining appropriate amounts. The 2023/24 annual accounts of the Fund show that, as at 31 March 2024, the value of Level 3 investments is approximately £198 million (18 per cent of the total fund value) based on the valuations provided by investment managers.	<ul style="list-style-type: none"> • Review the relevant investment manager controls' reports for qualifications or exceptions that may affect the audit risk. • Review the arrangements in place at the Fund to assess investment managers governance arrangements. • Review the disclosures included in the accounts to ensure these are adequate in directing the user of the accounts to acknowledge areas with significant judgement and estimation uncertainty. • Assess the expertise and competency of investment managers. 	<ul style="list-style-type: none"> • No significant issues were identified within investment manager controls' that affected the audit risk. • Arrangements in place at the Fund to assess investment managers governance arrangements are adequate. • The disclosures included in the accounts highlighting areas with significant judgement and estimation uncertainty are adequate in directing the user of the accounts. • No issues were identified in relation to the expertise and competency of investment managers. <p>Conclusion: No material misstatements in relation to the estimation applied to Level 3 investments were identified.</p>

Source: Audit Scotland

Prior year recommendations

32. The body has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with the body and are outlined in [Appendix 1](#).

Financial management

Main judgements

The Fund has effective financial management arrangements in place. This includes comprehensive reporting of investment performance. The Fund has prepared an annual budget for 2025/26 in relation to the administration costs of the Fund.

The Fund pays out more than it collects annually from fund members, investment returns are used to make up the difference. The value of the Fund increased by 3 per cent to £1.141 billion during 2024/25 and investment performance was ahead of the benchmark return set for the year.

The Fund has effective financial management arrangements in place. This includes comprehensive reporting of investment performance. The Fund has prepared an annual budget for 2025/26 in relation to the administration costs of the Fund

33. The Chief Financial Officer for Dumfries and Galloway Council is the Proper Officer responsible for Dumfries and Galloway Council Pension Fund. The financial regulations of Dumfries and Galloway Council, as administering authority, apply to the Fund. We consider these to be comprehensive, and current, and promote good financial management.

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

35. The administrative burden on local government pension funds has increased significantly in recent years due to increasing complexity and the growth in employer numbers in some pension funds. At the same time, there is increased scrutiny from the Pensions Regulator and risk of fines and other regulator interventions. Therefore, it is critical that pension administration teams are sufficiently well resourced with competent personnel and appropriate administration systems. This aim must be supported by transparent processes for setting appropriate pension administration budgets. Pensions administration is a specialist role and, at the current time, it is difficult to attract and retain staff.

36. In our 2023/24 Annual Audit Report we recommended that the Fund should prepare an annual budget in relation to the administration costs of the Fund to allow budget monitoring reports to be prepared and presented to members throughout the year. The introduction of a budgeting process for pension administration by the Fund would demonstrate good governance and provide assurance that the Fund has sufficient resources (quantity and competency) to meet regulatory requirements. At present, the majority of the costs are budgeted through the council and transferred to the Fund at year end through central support recharges. Officers have made significant progress in addressing this recommendation and whilst this has not been completed for 2024/25, the Fund's annual budget for 2025/26 was approved by the Pensions Sub-Committee on 6 May 2025.

37. Overall, we have concluded that the Fund has effective financial management arrangements in place and that these operated as expected during 2024/25.

Financial systems of internal control operated effectively during 2024/25

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

39. Our work in 2024/25 involved a walkthrough of the key controls over the systems used for pension administration activity and the pension fund's investments. The Fund also uses the financial systems of the administering authority, Dumfries and Galloway Council. The main council systems used by the Fund are the general ledger system (including payables sub-ledger) and the payroll system. Our review of the controls in operation within these systems was conducted as part of our audit of Dumfries and Galloway Council.

40. In June 2025, the Internal Audit Manager presented a report to the Pensions Sub-Committee in relation to Internal Audit assurances in support of disclosures within in the Annual Governance Statement included in the Fund's 2025/26 Annual Accounts. The Internal Audit overall opinion is that sound systems of internal control were in place during 2024/25.

41. Our review of the systems used by the Fund and the administering authority did not identify any significant control weaknesses which could affect the Fund's ability to report financial and other relevant data in the financial statements, and we concluded that systems of internal control for the Fund operated effectively during 2024/25. One improvement action has been identified in relation to the strain on the fund process. Whilst communicated quarterly, no communication is made where there is a nil return. It is recommended that communication is made each quarter, including where there is a nil return to ensure DGCPF cashflows are up to date for actuarial reporting.

The value of the Fund increased by 3 per cent to £1.141 billion during 2024/25 and investment performance was ahead of the benchmark return set for the year

42. The Fund’s performance in 2024/25 is summarised in [Exhibit 4](#). This shows that the net assets of the Fund increased from £1.108 billion at 31 March 2024 to £1.141 billion at 31 March 2025. These market value changes contributed to a positive annual fund investment return for the year of 4 per cent, which was ahead of the benchmark return set for the year of 2.7 per cent.

Exhibit 4
Assets, funding level and investment performance

Net assets	Funding level	Investment performance
£1.141 billion Closing net assets at 31 March 2025 (3%)	126% Net assets vs promised retirement benefits 31 March 2025	4% Return on investments 2024/25
£1.108 billion Opening net assets at 1 April 2024	122% As at 31 March 2023 (based on results of 2023 triennial valuation)	7.9% Return on investments over 5 years

Source: Dumfries and Galloway Council Pension Fund 2024/25 Annual Accounts

The Fund reported a deficit from dealings with members of £18.994 million for 2024/25

43. As has been the case in recent years, the Fund reported a deficit from dealings with members of £18.994 million in 2024/25, as detailed in [Exhibit 6](#) (£4.9 million in 2023/24 and £42.7 million in 2022/23). This means that pension payments exceeded member contributions and investment income was used to ensure pensions were paid. The main reason for the increase in the deficit from 2023/24 to 2024/25 was due to the transfer of Scottish Fire and Rescue Service employees to the Strathclyde Pension Fund in January 2025, with the final agreed transfer value of £6.665 million paid in 2024/25.

No service auditor reports are provided to Dumfries and Galloway Council in respect of its cloud hosted financial systems used by the Fund

44. The Fund uses the general ledger, trade payable sub-ledger and payroll system of Dumfries and Galloway Council. The council auditor has identified that the key financial systems of Dumfries and Galloway Council

are externally cloud hosted by third party providers. The council does not receive service auditor reports to obtain assurance over IT controls for these systems. Although an assurance gap exists, there have been no issues around service performance or availability of information to support the preparation of the financial statements of the Fund.

Financial sustainability

Main judgements

The results of the 2023 triennial valuation showed an improved position with the Fund 122 per cent funded. This enabled the Fund to marginally reduce all employers' contributions. The Council Pool employers' contribution rate was reduced by 1 per cent each year over the period 2024-2027.

Given the funding position at 31 March 2023, and the healthy net asset position at 31 March 2025, we currently have no concerns about the financial sustainability of the Fund or the viability of the funding strategy.

The results of the 2023 triennial valuation showed an improved position with the Fund 122 per cent funded. This enabled the Fund to reduce the Council Pool employers' contribution rate by 1 per cent each year over the period 2024-2027

45. There is a statutory requirement for local government pension funds to undertake a full actuarial valuation of assets and liabilities every three years. This is referred to as a triennial valuation.

46. The most recent triennial funding valuation across the Local Government Pension Scheme took place in 2023/24 based on data as at 31 March 2023. The main purpose of the valuation is to review the financial position of each fund and to set appropriate contribution rates for each employer for the upcoming three-year period as part of the fund's overall funding strategy.

47. The results of the 2023 full triennial valuation of Dumfries and Galloway Council Pension Fund were reported to the Pensions Sub-Committee in March 2024. The results showed the Fund to be 122 per cent funded, meaning that, overall, the Fund has a surplus of assets over liabilities. This enabled the Fund to reduce the Council Pool (covering approximately 92 per cent of the Fund) employers' contribution rate by 1 per cent each year over the period 2024-2027 (21 per cent in 2024/25, 20 per cent in 2025/26 and 19 per cent in 2026/27).

The Fund reviewed its funding strategy statement after the triennial review

48. The investment strategy is set for the long-term but is monitored continually and reviewed every three years using asset-liability modelling to ensure that it remains appropriate to the profile of the Fund's liabilities. The funding strategy statement is a summary of the Fund's approach to funding liabilities and sets out the level of employer and employee contribution rates required to ensure sufficient resources are available to provide for members' pensions and lump sum benefits. The statement requires to be reviewed annually, unless circumstances dictate earlier amendment.

49. The annual review of the funding strategy statement was undertaken following the 2023 triennial valuation. This review was undertaken by Hymans Robertson LLP, investment advisors to the Fund, during 2023/24 and the findings reported to the Pensions Sub-Committee in March 2024. The updated statement is included within the Fund's 2024/25 Annual Accounts.

50. During 2023/24 the Pensions Sub-Committee also took the decision to fully disinvest from two funds (Lothbury Property Trust in June 2023 and Baillie Gifford Diversified Growth Fund in March 2024), primarily due to concerns over recent performance and the ongoing management/resourcing arrangements of the funds. The 2024/25 Annual Accounts provide the following updates in relation to these disinvestments:

- The Fund fully disinvested from the Baillie Gifford Diversified Growth Fund and this investment was replaced by a £55 million investment in the Legal and General Small Cap Fund, a £30 Million increase in the Barings Global High Yield Credit Fund with the residual amount being held in cash. All of these transactions completed in July 2024.
- The Lothbury Property Trust was terminated on 31 May 2024 and since that announcement the sale of properties has been ongoing. The Fund has been receiving cash redemptions from Lothbury throughout the year. As at 31 March 2025 £22.4 million had been received by the Fund. On 12 November 2024 the Pensions Sub-Committee agreed to invest £35 million in the JP Morgan Infrastructure Investment Fund. The onboarding of this investment was completed in February 2025, however the capital call was dated 1 April 2025, therefore the £35 million was held in cash as at 31 March 2025 awaiting investment on 1 April 2025.

The number of active members increased in recent years to 2023/24 but decreased in 2024/25. The ratio of active members to pensioners has steadily reduced in recent years

51. The Fund is a multi-employer fund with 8 active employers at 31 March 2025, comprising 2 scheduled bodies (Dumfries and Galloway

College and Scottish Police Authority) and 6 admitted bodies. The current membership profile is shown at [Exhibit 5](#) overleaf.

Exhibit 5
Dumfries and Galloway Council Pension Fund membership



Source: Dumfries and Galloway Council Pension Fund Annual Accounts 2024/25

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

53. Overall active membership of the fund decreased by 407 (5.8 per cent) to 6,528 active members during 2024/25 and has decreased by 116 (1.7 per cent) since 2020/21. However, although the number of active members continues to exceed the number of pensioners, the ratio of active members to pensioners has steadily reduced in recent years from 1.27:1 in 2020/21 to 1.05:1 in 2024/25. This, combined with increasing life expectancy over this period, continues to place additional pressure on the Fund. However, this does not present any immediate risk to the financial sustainability of the Fund.

There have been negative cash flows from member activity in recent years and this trend is expected to continue

54. The Fund reported a deficit from dealings with members of £18.994 million in 2024/25, [Exhibit 6](#). This reflects the trend of negative cash flows from member activity over recent years. As noted earlier, the main reason for the increase in the deficit from 2023/24 to 2024/25 was due to the transfer of Scottish Fire and Rescue Service employees to the Strathclyde Pension Fund in January 2025, with the final agreed transfer value of £6.665 million paid in 2024/25. The Fund actively monitors its cash-flow position and indications are that negative cash flows will be an

ongoing trend in future years. The Fund's investment strategy aims to increase income generating investments to assist the Fund in addressing this cash flow challenge.

Exhibit 6

Member transactions 2024/25

	2022/23 £m	2023/24 £m	2024/25 £m
Employer contributions	(27.448)	(30.060)	(30.313)
Employee contributions	(7.468)	(8.093)	(8.619)
Transfer in	(1.077)	(2.322)	(1.405)
Lump sums paid	6.789	8.032	9.937
Pension paid	28.598	31.743	34.873
Transfer out	39.756	1.430	10.315
Management expenses	3.557	4.168	4.206
Net withdrawals	42.707	4.898	18.994

Source: Dumfries and Galloway Council Pension Fund 2022/23 to 2024/25 Annual Accounts

We currently have no concerns about the financial sustainability of the Fund or the viability of the funding strategy

55. Given the triennial valuation showed that the Fund was 122 per cent funded at 31 March 2023 (paragraph 47.) and the healthy net asset position at 31 March 2025 (paragraph 42. and [Exhibit 3](#)), we currently have no concerns about the financial sustainability of the Fund or the viability of the funding strategy.

Vision, leadership and governance

Main judgements

The Fund has adequate arrangements in place to support good governance and accountability, and scrutiny of decision-making. The Governance Policy Statement was approved by the Pensions Sub-Committee in December 2024.

The administering authority has an annual member training plan to assist members of the sub-committee in discharging their fiduciary duty.

The Fund conducts its business in an open and transparent manner and has appropriate arrangements in place to prevent and detect fraud and corruption, and to ensure compliance with the Pensions Regulator Public Service Code. However, some administration policies required by the Regulator need to be formally introduced.

Officers have undertaken a self-assessment of Fund compliance with The Pension Regulator General Code of Practice.

The Fund has adequate arrangements in place to support good governance and accountability, and scrutiny of decision-making. The Governance Policy Statement was approved by the Pensions Sub-Committee in December 2024

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

57. The responsibilities of the Pensions Sub-Committee and the Pension Board are set out in the Statement of Investment Principles which is included within the Fund's 2024/25 Annual Accounts.

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

59. In our 2022/23 Annual Audit Report we recommended that, given the role of the Pensions Sub-Committee as the decision making body for the Fund, a model constitution should be developed for the Pensions Sub-Committee to ensure its role, remit and governance arrangements are clearly outlined. During 2023/24 a short life working group, comprising of officers and members of the Pensions Sub-Committee and Pensions Board, met to draft a fund governance document but it was been agreed that an internal audit review of the document was required to take this recommendation forward.

60. During 2024/25 there remains some contention regarding the roles and responsibilities of the Pension Board. The Governance Policy Statement was approved by the Pensions Sub-Committee in December 2024 and sets out the roles and responsibilities of both the Pensions Sub-Committee and Pension Board. The Pension Board have noted they do not agree with this approval. It is our view that the Governance Policy Statement is compliant with the regulations.

The role and responsibilities of the custodian have been set out within an internal document

61. Unlike other Local Government Pension Funds, the Fund does not make use of an external custodian due to the fact that all investments are held in pooled funds. A pension fund custodian is responsible for:

- safekeeping of assets
- servicing of assets including income collection
- execution of transactions, corporate actions and proxy voting
- record keeping and primary accounting
- securities lending
- cash management
- performance measurement.

Officers should review the annual internal controls reports prepared in relation to each fund manager as part of their governance responsibilities

62. Annual internal controls reports are prepared in relation to each fund manager detailing the auditor's review of the suitability and design and operating effectiveness of key controls. However, these controls reports

are not formally reviewed by officers or Hymans, as the advisors to the Fund, to identify if there are any significant issues. We recommended in our 2022/23 Annual Audit Report that, as part of the overall assurance process, officers should review these controls reports each year to identify if there are any issues that would require consideration. We confirmed with officers that although these controls reports were received and considered during 2023/24 and significant findings were noted, there was no formal documentation of this process. We recommended that officers introduce a formal process for reviewing these controls reports and documenting the results of this review.

63. Fund officers now formally review fund manager controls reports within a fund manager review checklist. Due to software issues with the client, these checklists were not received until late into the audit process and officers did not seek further assurances from fund managers to cover the bridging period to 31 March 2025 where applicable. Improvements are required to this process to ensure a timely high-quality review is performed and up to date information as at the year-end is obtained.

64. In addition, we have reviewed these fund manager controls reports as part of our audit work and we did not identify any significant issues.

The administering authority has an annual member training plan to assist members of the sub-committee in discharging their fiduciary duty

65. The Pensions Sub-Committee comprises eleven elected members (nine current with two vacancies) from the administering authority, Dumfries and Galloway Council, and meets quarterly to oversee the supervision and administration of the fund's investments, set the investment strategy, and oversee pension administration activity.

66. Members of the Pensions Sub-Committee are required to perform an independent fiduciary duty on behalf of the members and employer bodies in the Fund. Therefore, they are required to carry out appropriate levels of training to ensure they have the requisite knowledge and understanding to properly perform their role.

67. Market in Financial Instruments Directive (MiFID II) came into effect from 3 January 2018 and the FCA policy reduced the classification of LGPS from "professional" to "retail" (which significantly reduced the investment opportunities for funds) unless they pass the qualitative and quantitative tests required to achieve professional status. The size of the Fund meant it met the quantitative test to achieve professional status. The Fund was able to demonstrate that it had an appropriate training package to ensure that Pensions Sub-Committee members have the knowledge and understanding required to meet their obligations and therefore able to opt up to professional status successfully.

68. An annual training plan and record of training updates is a standing item at each meeting of the Pensions Sub-Committee. This details a list of all members, training required and training undertaken to date.

69. The 2024/25 training programme has been updated and members of the Pensions Sub-Committee and Pension Board were sent a knowledge and skills questionnaire based on the current CIPFA Code of Practice and supporting framework. Members were asked to rate their own knowledge on various aspects of the Fund to help identify priority areas for the 2024/25 training plan.

70. Confirming and evidencing training is an important part of maintaining the Fund's Professional Status requirements of MiFiD II. Whilst completion of mandatory training improved across Pensions Sub-Committee and Pension Board members in 2024/25, given the new membership in 2025/26, it will be important that all required training is completed. The 2025/26 training plan includes additional mandatory training not previously required which members should be cognisant of.

The Fund conducts its business in an open and transparent manner

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

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

73. There is evidence from several sources which demonstrate the Fund's commitment to transparency. For example, the Pensions Sub-Committee and Pension Board meetings are held in public and the minutes of all meetings are available on the administering authority's website (with exempt sections where appropriate). The Fund's Annual Accounts are also available on the administering authority's website, along with investment and administration performance information, and key governance documents.

The management commentary in the 2024/25 Annual Accounts provided a fair, balanced and reasonable analysis of the organisation's financial performance for the year

74. In addition to the consistency opinion on the management commentary covered in Part 1 of this report, we also consider the qualitative aspects of the management commentary included in the annual accounts. The purpose of the management commentary is to provide information on the Fund, its main objectives and strategies, and the principal risks that it faces. It is required to provide a fair, balanced and reasonable analysis of a body's performance and is essential in helping stakeholders understand the financial statements. We concluded that the

management commentary in the 2024/25 Annual Accounts satisfied these requirements.

The Fund has appropriate arrangements in place to prevent and detect fraud and corruption

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

76. We assessed the Fund's arrangements for the prevention and detection of fraud as part of our 2024/25 audit. The Fund relies on the administering authority's arrangements for the prevention and detection of fraud and corruption. These include a Code of Conduct for members and officers, Raising Concerns Policy and an Anti-Fraud and Anti-Corruption Statement and Strategy.

77. In June 2025, the Internal Audit Manager presented a report to the Pensions Sub-Committee in relation to Internal Audit assurances in support of disclosures within in the Annual Governance Statement included in the Fund's 2025/26 Annual Accounts and an update on planned Internal Audit work in relation to the Fund in 2025/26. The report also provided members with an update on the work undertaken by Internal Audit in relation to the National Fraud Initiative (NFI) matches in respect of payments to pensioners and the outcomes identified.

78. We concluded that the Fund has appropriate arrangements in place to prevent and detect fraud and corruption. We are also not aware of any specific issues during 2024/25 that we require to bring to your attention.

The process for reviewing members registers of interests to identify related parties for annual accounts disclosures has been updated

79. As part of the production of the Fund's annual accounts officers review the registers of interest for each elected member involved in the Pensions Sub-Committee and Pension Board to identify potential related party transactions for disclosure in the annual accounts. Officers contacted members to ensure registers of interest were up to date ahead of identifying and preparing disclosures, this included confirmation from Pension Board members where possible. The related parties disclosures in the annual accounts have been enhanced to include more detail in respect of Pensions Sub-Committee members and employer body transactions and balances, as recommended in Audit Scotland's [good practice note on the disclosure of related parties](#).

There are effective arrangements in place for complying with the Pensions Regulator Public Service Code. However,

some administration policies required by the Regulator need to be formally introduced

80. The Public Sector Pensions Act 2013 provided for extended regulatory oversight by the Pensions Regulator. The Pensions Regulator issued a new General Code of Practice on 28 March 2024 which sets out the expectations of conduct and practice that funds should meet to comply with their duties in pensions legislation.

81. The Treasury and Capital Manager, Financial Officer (Treasury and Pensions) and Team Leader (Pensions) monitor any potential breaches of the Pensions Regulator Public Service Code regulations. If any such incidents occur, they are discussed with the Chief Financial Officer to establish if they are material breaches that require to be reported to the regulator.

82. Management have confirmed that there were no reportable breaches during 2024/25.

83. Per the General Code in terms of documented administration policies, the following are considered examples of administration policies which the regulator considers to be particularly pertinent and would expect to be documented where relevant to a pension scheme, and with which pension board members must therefore be conversant where applicable:

- conflicts of interest and the register of interests
- record-keeping
- internal dispute resolution
- reporting breaches and maintaining contributions to the scheme.

84. In our 2023/24 Annual Audit Report we recommended that the Fund should implement and monitor formal policies when considering requirements of the future general Code. We noted that several new policies were approved at the May 2025 meeting of the Pensions Sub-Committee, being the breaches of law policy, record keeping policy and internal dispute resolution policy. The policies that still require to be published include the discretions policies (for both administering authority and Dumfries and Galloway Council as employer), a refreshed communications policy and conflicts of interest policy. Fund officers aim to present these policies to the Pensions Sub-Committee by March 2026.

Internal audit work which is relevant to the Fund is presented to the Pensions Sub-Committee

85. In our 2022/23 Annual Audit Report that Internal Audit papers that are relevant to the Fund had not been presented to the Pensions Sub-Committee and recommended that Internal Audit work that is relevant to the Fund should be presented to the Pensions Sub-Committee as a separate paper or as appendices where appropriate. In response to our recommendation, in June 2025 the Internal Audit Manager presented a

report to the Pensions Sub-Committee in relation to Internal Audit assurances in support of disclosures within in the Annual Governance Statement included in the Fund's 2024/25 Annual Accounts and an update on planned Internal Audit work in relation to the Fund in 2025/26, including the outcome of NFI.

86. In addition, Internal Audit carried out a review of the Fund's governance and risk management arrangement during 2024/25 and the report was presented to the Pensions Sub-Committee in December 2024. The majority of conclusions were satisfactory and the findings reported are consistent with our own audit work reported in this Annual Audit Report.

Officers have undertaken a self-assessment of Fund compliance with The Pension Regulator General Code of Practice

87. A report was presented to the Pensions Sub-Committee in June 2025 which provided a summary of the results of the work undertaken by officers in the assessment of the Fund's compliance with The Pension Regulator General Code of Practice. The report highlighted that the Fund is largely fully or partially compliant and there are no areas where the Fund is non-compliant. Where there are areas which are not fully compliant, officers will identify improvements and provide an assurance that an action plan will be implemented to improve the status of compliance.

88. Notably, the self-assessment highlighted that the Fund needs to produce its own business continuity plan and cyber security plan (the Fund currently relies on Dumfries and Galloway Council's plans but the council's auditor has identified that these plans have not been tested and updated for a number of years).

Recommendation 1

The Fund should develop its own business continuity plan and cyber security plan in line with The Pension Regulator General Code of Practice.

Use of resources to improve outcomes

Main judgements

2024/25 was a positive year for Scottish Local Government Pension Schemes overall. Ten funds reported positive movements in net assets during the year, although only four funds reported an above benchmark return.

The total Fund performance over the last 12 months was ahead of the benchmark return. However, only five of nine investment portfolios managed for the whole of 2024/25 performed above benchmark. Investment performance shows above benchmark returns for the Fund over the last 12 months, three years and five years.

Fund administration performance in 2024/25 is mixed against target across the key performance indicators but has improved across some performance indicators from 2023/24.

Implementing the remedy to fix unlawful discrimination in public service pension schemes will place a significant additional administrative burden on all Scottish Local Government Pension Schemes. In order to ensure that the Fund is able to comply with and fulfil these obligations, a joint resources review was undertaken by officers in 2024/25 and approved by members in May 2025 which means additional staff resources will be available from 2025/26 onwards

The Fund launched its online member pension portal in February 2024. A pensions dashboard for members is on track to be launched by the deadline of 31 October 2025.

The administering authority has appropriate arrangements in place for securing Best Value at the Fund.

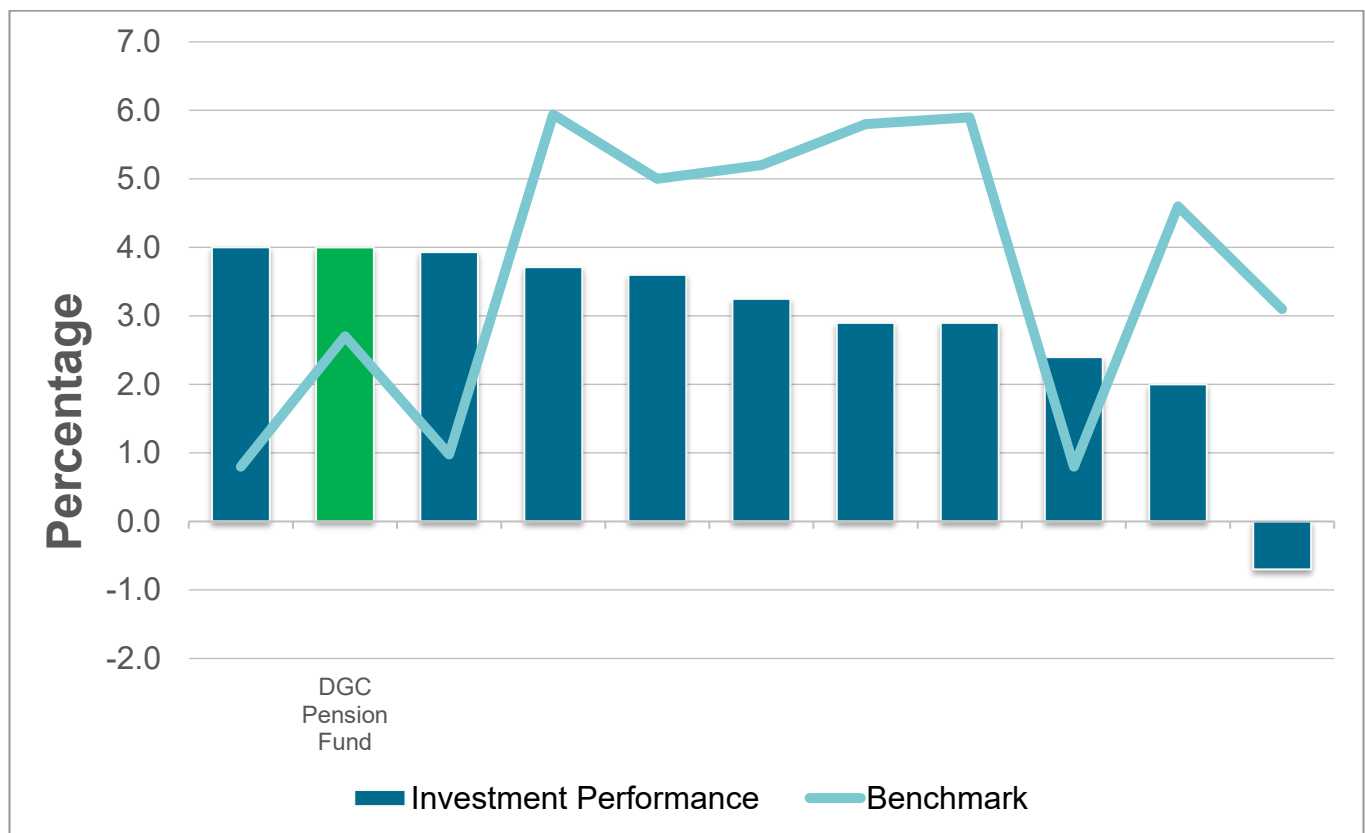
2024/25 was a less challenging year for Scottish Local Government Pension Schemes than previous years. Ten funds reported positive movements in net assets during

the year, although only four funds reported an above benchmark return

89. 2024/25 was a less challenging year for Scottish Local Government Pension Schemes than previous years. As shown in [Exhibit 7](#) ten funds reported positive movements in net assets during the year, although only four funds reported an above benchmark return, with investment performance ranging from -0.7 per cent to 4 per cent (compared to returns ranging from 5.5 per cent to 15 per cent in 2023/24). Dumfries and Galloway Council Pension Fund's net return of 4 per cent (against a benchmark return of 2.7 per cent) placed it second top in this range.

Exhibit 7

Scottish LGPS pension funds 2024/25 – Net return on investment and benchmark return



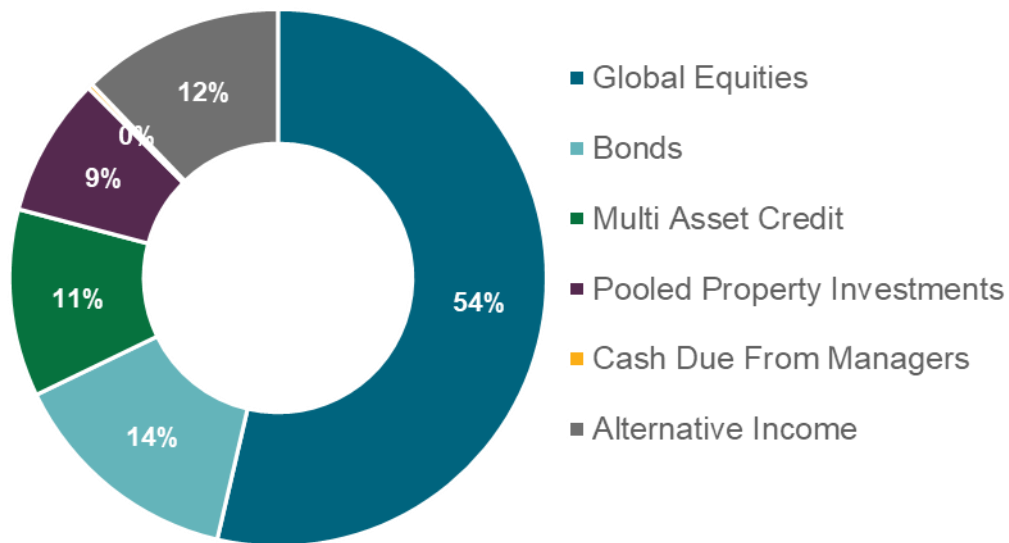
Source: 2024/25 Scottish LGPS pension funds unaudited annual accounts

At 31 March 2025, the majority of the value of the Fund's investment assets was held in pooled investments

90. As shown in [Exhibit 8](#) overleaf, £0.589 billion (54 per cent) of the Fund's total investment assets at 31 March 2025 were held in global equities. A further £0.156 billion (14 per cent) of the Fund's investment assets were held in bonds and £0.133 billion (12 per cent) were held in alternative income at 31 March 2025.

Exhibit 8

Split of investment assets at 31 March 2025



Source: Dumfries and Galloway Council Pension Fund 2024/25 Annual Accounts

91. The Fund also continues to invest in long term enhanced yield assets, such as UK property. At 31 March 2025, the Fund held direct property assets with a value of £0.095 billion, 9 per cent of the Fund's investment assets. The objective of holding such investments is to provide a long-term income stream and a degree of inflation protection. Maintaining long term investment income is important to ensuring the Fund has available funding to meet any deficit resulting from dealings with members.

The total Fund performance over the last 12 months was ahead of the benchmark return. However, only five of nine investment portfolios managed for the whole of 2024/25 performed above benchmark

92. The Fund used five external investment managers managing ten distinct mandates (a set of instructions laying out how a pool of assets should be invested) during the course of 2024/25 (one of the mandates started in July 2024 so wasn't managed for the whole year). The Fund's external investment advisor (Hymans Robertson) provides a quarterly report to the Pensions Sub-Committee covering the performance of each investment manager and the full fund. The Fund's external investment advisor attends the meetings in an advisory capacity, when required.

93. The performance summaries presented to each meeting of the Sub-Committee include details of performance of individual portfolios against benchmark for each quarter of the current year, and over the last three and five years. This allows members of the Sub-Committee to scrutinise

investment performance and to question officers on the reasons for any under-performance.

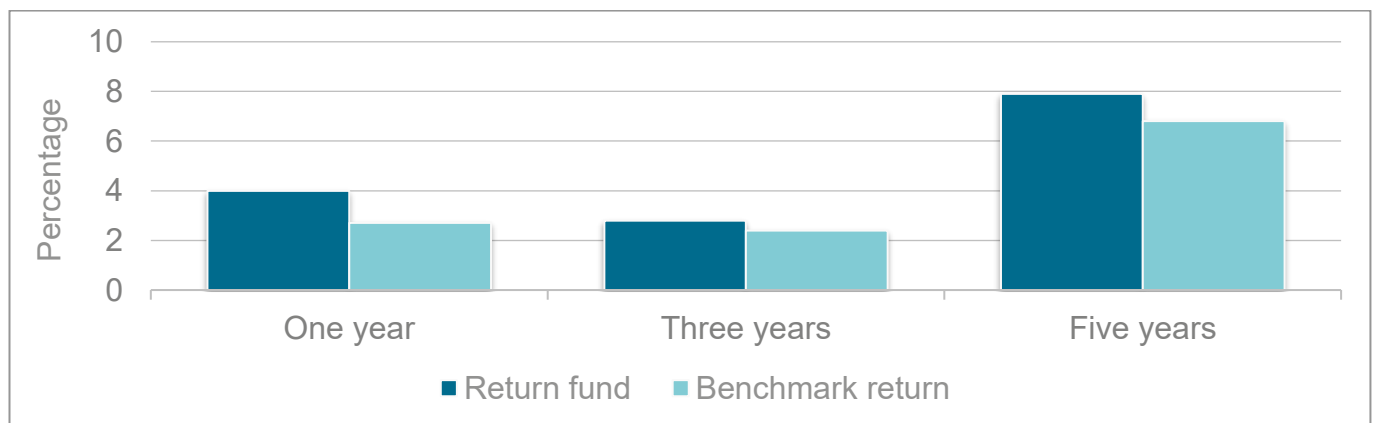
94. During 2024/25 the overall performance of investment managers was above target with a Fund investment return of 4 per cent which was ahead of the benchmark of 2.7 per cent (see [Exhibit 6](#)). Five of the nine investment portfolios being managed for the whole of 2024/25 performed above the benchmark, with the remainder performing either below or in line with benchmark.

Investment performance shows above benchmark returns for the Fund over the last 12 months, three years and five years

95. The Pensions Sub-Committee meets on a quarterly basis. A review of fund managers' performance by the Fund's external investment advisor is a standing item on the Sub-Committee's agenda. At each meeting, Sub-Committee members receive a report outlining overall fund performance including an analysis of risks and returns.

96. [Exhibit 9](#) shows that the Fund performed ahead of the benchmark over the last 12 months, generating a rate of return of 4 per cent against the benchmark of 2.7 per cent. The Fund performed above benchmark over both the last three years (2.8 per cent against the benchmark of 2.4 per cent) and the last five years (7.9 per cent against the benchmark of 6.8 per cent).

Exhibit 9 Longer-term Fund investment performance



Source: Dumfries and Galloway Council Pension Fund 2024/25 Annual Report and Accounts

Fund administration performance in 2024/25 is mixed against target across the key performance indicators but has improved across some performance indicators from 2023/24

97. The Fund administration performance indicators are shown in [Exhibit 10](#) and is reported in the Fund's 2024/25 Annual Accounts. Although this

shows that the Fund administration performance in 2024/25 is mixed against target across the key performance indicators, performance has improved across some performance indicators from 2023/24. Notably, the statutory requirement to issue annual pension forecasts by 31 August has met the target of 100 per cent. However, the payment of lump sum on death within 15 days increased from 86 per cent in 2023/24 to 96 per cent in 2024/25, against a target of 90 per cent. Early leaver payment of refund within 30 days increased from 80 per cent in 2023/24 to 98 per cent in 2024/25 against a target of 90 per cent. The detailed 2024/25 pension administration performance report was presented to the Pensions Sub-Committee in September 2025.

Exhibit 10

Administration performance indicators

Key performance indicator	Target	2022/23	2023/24	2024/25
Key statutory deadlines met (including payment deadlines)	100%	98%	97%	97%
Annual member administration cost	Under £25	£28.17	£28.13	£32.41
Staff/member ratio	N/A	1:3,226	1:3,324	1:3,473
Number of complaints	0	1	0	1
Annual pension forecasts issued by 31 August	100%	100%	97%	100%
Payment of lump sum on death (15 days of information received)	90%	97%	86%	96%
Payment of retirement pension (10 days of information received)	90%	98%	96%	94%
Early leaver payment of refund (30 days)	90%	93%	80%	98%

Source: Dumfries and Galloway Council Pension Fund 2024/25 Annual Accounts

98. The Pensions Administration Strategy, which covers the period 2024-2028 was presented to and agreed by the Pensions Sub-Committee on 25 June 2024.

99. In 2024/25, the CIPFA Bulletin 19 for 2024/25 includes a link to “Preparing the Pension Fund Annual Report Guidance for Local Government Pension Scheme Funds - April 2024” (jointly produced by the Scheme Advisory Board (SAB) and the Chartered Institute of Public Finance and Accountancy (CIPFA)). This notes that pension funds must report on the outcome of administration Key Performance Indicators (KPIs) set out in Annex 1 of this guidance and should also provide an appropriate commentary to allow stakeholders to understand and put the data into context. Whilst not mandatory in Scotland, as best

practice, the Fund is currently building its workflows and reporting systems so it can capture these KPIs with the aim to enhance its reporting more in 2026 and 2027. We would encourage the Fund to report on these KPIs going forward.

Recommendation 2

The Fund should consider publication of Pensions Administration KPIs as soon as practicable in line with “Preparing the Pension Fund Annual Report Guidance for Local Government Pension Scheme Funds” jointly produced by the Scheme Advisory Board (SAB) and the Chartered Institute of Public Finance and Accountancy (CIPFA).

Implementing the remedy to fix unlawful discrimination in public service pension schemes will place a significant additional administrative burden on all Scottish Local Government Pension Schemes. In order to ensure that the Fund is able to comply with and fulfil these obligations, a joint resources review was undertaken by officers in 2024/25 and approved by members in May 2025 which means additional staff resources will be available from 2025/26 onwards

100. On 19 July 2021, a bill was put before Parliament amending the Public Service Pensions Act 2013 to fix unlawful discrimination in public service pension schemes. Measures that have been identified as being required by pension funds to address and rectify have since been described as the “remedy”. The appeal case (known as McCloud) identified that unlawful discrimination existed between 2 categories of LGPS members:

- Those who were in service on 31 March 2012 and were within 10 years of their Normal Pension Age (NPA) on 1 April 2012 and as such benefited from the underpin protection provided in the 2015 Scheme Regulations.
- Those who were in service on 31 March 2012 and were more than 10 years from their Normal Pension Age (NPA) and as such did not benefit from the underpin protection provided in the 2015 Scheme Regulations.

101. The remedy will remove the unlawful discrimination by providing underpin protection to the second group noted above, and as such will treat both categories of scheme members equally. The remedy will also ensure that there will be automatic retrospective adjustment of benefits for applicable scheme members who have ceased scheme membership. This is a significant body of work and administratively complex.

102. The related legislation passed in early 2022 and requires funds to implement the ‘remedy’ to age discrimination within the Local Government

Pension Scheme. Compliance with this legislation will involve a significant and administratively complex body of work for the Fund.

103. As noted at paragraph 14, in our 2023/24 Annual Audit Report, we highlighted that there may be a capacity issue in relation to the council officers responsible for the administration of the Fund, production of the Fund's annual accounts and reports. As a result, we recommended that the Fund needed to ensure appropriate processes and procedures were in place to support the administration of the Fund, including the delivery of the annual accounts and audit process, ensuring the teams have appropriate capacity to meet these responsibilities throughout the year. Officers have made significant progress in addressing this recommendation and whilst this has not been completed for 2024/25, increased administration and accounting staff resource has been approved for 2025/26 onwards. The revised staff resource arrangements were approved by the Pensions Sub-Committee on 6 May 2025.

104. The Pensions Administration Update Report presented to the Pensions Sub-Committee in June 2025 highlighted that work has commenced to identify the categories of active and deferred members where the provisional McCloud position can be calculated and applied to members' benefits for inclusion in the annual benefit statements due for publication by 31 August 2025. When additional staff resources are in place a project plan will be formulated to tackle the retrospective recalculations required during 2025/26.

The Fund launched its online member pension portal in February 2024. A pensions dashboard for members is on track to be launched by the deadline of 31 October 2025

105. Following the introduction of automatic enrolment, a significant increase in the number of people saving for retirement has meant it may be difficult for people to keep track of their pensions. As a result, the UK Government is introducing pensions dashboards to improve the way people can see and interact with their pensions. Pensions dashboards are an electronic communications service intended to be used by individuals to access information about their pensions online, securely, and all in one place. As a pension provider, the Fund is legally required to participate in pensions dashboards by 31 October 2025.

106. In order to be prepared, the Fund's data quality is continually tested and working methods updated to ensure data is consistently of high quality. The Fund has now procured a member tracing service and a pensions dashboard compatible Integrated Service Provider (ISP).

107. The online member pension portal was launched for active scheme members in February 2024. This allows members to securely access their pension record at any time, perform retirement calculations, update their personal details and death benefit nominations. During 2024/25 this was extended to deferred and pensioner members.

108. The Pensions Administration Update Report presented to the Pensions Sub-Committee in June 2025 highlighted that in preparation for connect to the pensions dashboard's ecosystem by the statutory deadline of 31 October 2025, procurement of an Integrated Service Provider (ISP) was completed in January 2025. Work is ongoing with the ISP supplier to ensure that the Fund meets the connection deadline.

The administering authority has appropriate arrangements in place for securing Best Value at the Fund

109. The administering authority (Dumfries and Galloway Council) has responsibility for the ensuring that its business, including that of the Fund, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a statutory duty to make arrangements to secure Best Value, which are subject to audit.

110. The outcome of audit work on the administering authority's Best Value arrangements is reported in the Dumfries and Galloway Council annual audit report. No findings directly applicable to the Fund have been communicated to us by the auditor of Dumfries and Galloway Council that will be reported in the 2024/25 annual audit report of the council.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Business Continuity and Cyber Security Plans</p> <p>The self-assessment of the Fund's compliance with The Pension Regulator General Code of Practice highlighted that the Fund needs to produce its own business continuity plan and cyber security plan (the Fund currently relies on Dumfries and Galloway Council's plans but the council's auditor has identified that these plans have not been tested and updated for a number of years).</p>	<p>The Fund should develop its own business continuity plan and cyber security plan in line with The Pension Regulator General Code of Practice.</p>	<p>Accepted</p> <p>This is forming part of the action plan following the Pension Regulator Code of Practice self-assessment. Will be developed taking cognisance of the current updating and testing of Council Business Continuity and Cyber Security Plans.</p> <p>HR Manager/Treasury, Capital and Pension Fund Investment Manager</p> <p>December 2026</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>2. Pensions Administration KPIs Reporting</p> <p>CIPFA notes that pension funds must report on the outcome of administration Key Performance Indicators (KPIs) set out in Annex 1 of this guidance and should also provide an appropriate commentary to allow stakeholders to understand and put the data into context. Whilst not mandatory in Scotland, as best practice, the Fund is currently building its workflows and reporting systems so it can capture these KPIs with the aim to enhance its reporting more in 2026 and 2027.</p>	<p>The Fund should consider publication of Pensions Administration KPIs as soon as practicable in line with “Preparing the Pension Fund Annual Report Guidance for Local Government Pension Scheme Funds” jointly produced by the Scheme Advisory Board (SAB) and the Chartered Institute of Public Finance and Accountancy (CIPFA).</p>	<p>Accepted</p> <p>Workflows are in development, once available we will track and report the remaining CIPFA recommended KPI's.</p> <p>HR Manager</p> <p>March 2027</p>

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>1. Pension finance capacity</p> <p>During the audit there were some delays experienced in receiving responses to audit queries. It is clear that officers are dealing with a number of competing priorities which suggests that there are resource capacity issues.</p> <p>It is important that resourcing of the Fund is fully considered and addressed to ensure that there is capacity to review and implement regulatory requirements such as Pension Dashboards and TPR Codes, as well as supporting future audits.</p>	<p>The Fund needs to ensure appropriate processes and procedures are in place to support the administration of the Fund, including the delivery of the annual accounts and audit process, ensuring the teams have appropriate capacity to meet these responsibilities throughout the year.</p> <p>It is fully recognised that the demands on the council as administering authority continue to increase. The implementation of complex regulations such as McCloud and dashboards, the requirements from The Pensions Regulator and wider governance</p>	<p>Implemented</p> <p>Officers have made significant progress in addressing our recommendation to review staff resourcing and capacity. Whilst this has not been completed for 2024/25, increased administration and accounting staff resource was been approved for 2025/26 onwards by the Pensions Sub-Committee in May 2025.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>There is a risk that the Fund's annual accounts in future years are not signed by the agreed deadline.</p>	<p>requirements continue to evolve and require significant resource.</p> <p>The Pensions Sub-Committee and Board are aware of the planned resourcing review and proposals will be brought to the Pensions Sub-Committee and Board on completion of this work.</p> <p>Treasury and Capital Manager/HR Manager</p> <p>March 2025</p>	
<p>2. Pension administration budget</p> <p>The Fund does not prepare an annual budget in relation to the administration costs of the Fund to allow budget monitoring reports to be prepared and presented to members throughout the year.</p> <p>There is a risk that the Fund does not demonstrate good governance and cannot provide assurance that the Fund has sufficient resources (quantity and competency) to meet regulatory requirements.</p>	<p>The Fund should consider the introduction of an annual pension administration budget and budget monitoring process to demonstrate good governance and provide assurance that the Fund has sufficient resources to meet regulatory requirements.</p> <p>Work on developing a budget for the Pension Fund is currently in progress. At present, the majority of expenditure is budgeted in the Council and transferred to the Pension Fund through central support recharges. The work being progressed will ensure costs are charged directly to the Pension Fund.</p> <p>Treasury and Capital Manager</p> <p>March 2025</p>	<p>Implemented</p> <p>Officers have made significant progress in addressing our recommendation to prepare an annual pension administration budget. Whilst this has not been completed for 2024/25, in May 2025 the Pensions Sub-Committee approved Fund's annual pension administration budget for 2025/26.</p>
<p>3. Member training</p> <p>Some members have yet to complete their mandatory training which is required to ensure they have the requisite knowledge and</p>	<p>Pensions Sub-Committee and Pension Board members should ensure mandatory training is completed within required timescales and recommended training is</p>	<p>Implemented</p> <p>Whilst completion of mandatory training improved in 2024/25, given the new membership in 2025/26, it will be important that all required</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>understanding to properly perform their role.</p> <p>There is a risk that the Fund cannot demonstrate that it meets the requirements of the Market in Financial Instruments Directive (MiFID II) which are necessary to achieve professional status.</p>	<p>completed as identified by areas of priority per member questionnaire responses.</p> <p>Training is a high priority for the Pension Fund and is reported quarterly to the Pensions Sub-Committee and Board.</p> <p>Work will be undertaken with Members to ensure that they are supported to complete the required training.</p> <p>Treasury and Capital Manager</p> <p>December 2024</p>	<p>training is completed. In addition, the 2025/26 training plan includes additional mandatory training not previously required which members should be cognisant of.</p>
<p>4. Related party transactions</p> <p>As part of the production of the Fund's annual accounts officers review the registers of interest for each elected member involved in the Pensions Sub-Committee and Pension Board to identify potential related party transactions for disclosure in the annual accounts. However, where registers of interest are not up to date, no further check is performed to identify whether any changes have been made and the process is not formally documented.</p> <p>There is a risk that significant related party transactions are not identified and disclosed appropriately in the Fund's annual accounts.</p>	<p>Officers should introduce a formal process to demonstrate that up to date registers of interest have been reviewed to ensure that potential related party transactions have been identified for inclusion in the Fund's annual accounts. In addition, the related parties disclosures in the annual accounts could be enhanced to include more detail in respect of Pensions Sub-Committee members and employer body transactions and balances.</p> <p>Registers of Interest for elected members is available on the council website. Work will be undertaken to ensure these are up to date and a register will be expanded to include members of the Board.</p> <p>Treasury and Capital Manager/Democratic Services Manager</p> <p>March 2025</p>	<p>Implemented</p> <p>Officer demonstrated the process of obtaining up to date registers of interest and identifying related party transactions.</p> <p>Related party disclosures have been enhanced in line with the AS good practice note.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>5. Administration policies</p> <p>The Fund does not have formal documents setting out the administration policies required by the Pensions Regulator General Code of Practice.</p> <p>There is a risk that the Fund does not comply with the requirements of the Pensions Regulator's Code of Practice.</p>	<p>Administration policies required by the new General Code of Practice need to be formally introduced.</p> <p>A review of compliance with the Pension Regulator Code of Practice is ongoing. Any policies that require to be developed or refreshed will be actioned as soon as possible.</p> <p>HR Manager</p> <p>June 2025</p>	<p>Work in progress</p> <p>We noted that several new policies were approved at the May 2025 meeting of the Pensions Sub-Committee, being the breaches of law policy, record keeping policy and internal dispute resolution policy. The policies that still require to be published include the discretions policies (for both administering authority and Dumfries and Galloway Council as employer), a refreshed communications policy and conflicts of interest policy. Fund officers aim to present these policies to the Pensions Sub-Committee by March 2026.</p>

Dumfries and Galloway Council Pension Fund

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