

# Shetland Islands Council Pension Fund

## Annual report on the 2011/12 audit



Prepared for those charged with governance and the Controller of Audit  
October 2012

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Key messages

## 2011/12 audit findings

This report covers the 2011/12 audit of the Shetland Islands Council Pension Fund. This is the second year in which Scottish Government regulations require local government pension funds to prepare an annual report separate from the administering authority's own statutory accounts. The annual report includes separate pension fund financial statements which require a separate audit certificate.

During 2011/12 we looked at the key strategic and financial risks faced by Shetland Islands Council Pension Fund (the fund). We audited the financial statements and looked at aspects of governance, use of resources and performance. This report sets out our main findings, summarising key outcomes from the 2011/12 audit and the outlook for the period ahead.

We have given an unqualified opinion that the financial statements of Shetland Islands Council Pension Fund for 2011/12 give a true and fair view of the state of the affairs of the fund as at 31 March 2012 and of the income and expenditure, for the year then ended.

As the administering authority, Shetland Islands Council has statutory responsibility for the administration of the fund with the Executive Committee, the Audit and Standards Committee and the Pension Fund Management Consultative Committee supporting the council in the discharge of these responsibilities.

The most recent triennial funding valuation was carried out by the scheme actuaries as at March 2011 and the results reported in February 2012. The report highlighted that the fund's assets valued at 31 March 2011 (£251 million) were sufficient to meet 91% of its liabilities accrued up to that date, resulting in a funding shortfall of £25 million. This represents a slightly improved position from the previous triennial valuation which reported a funding position of 88% (a funding shortfall of £26 million). The results of the triennial valuation determines employer contribution rates required over the next three year period to attain the objective of a fully funded scheme at a set future date. As a consequence of the funding level, no change in employer contribution rates is deemed to be required.

However, one year later, the inter-year valuation, which has no impact on employer contribution rates, shows a diminished funding level of 74%. This is attributed to the effect of the recession on global markets, with pension liabilities increasing because of a reduction in the real discount rate (the nominal discount rate net of inflation) and investment performance also below that anticipated at the triennial valuation.

As a result of the new requirement for a separate audit, the Audit and Standards Committee has taken on additional responsibilities in relation to the audit of the fund's financial statements with the annual audit plan, governance report, ISA 260 letter and draft audit certificate all reported to the Committee.

The administering authority should continue to review its investment strategy and on-going risk management programme. Shetland Islands Council Pension Fund has indicated that it plans to develop a more focused investment strategy by the end of 2012.

Generally, we are satisfied that the council's governance arrangements and internal controls have operated effectively during the year. The council has made good progress in improving its governance arrangements in particular by implementing new political arrangements and a revised management structure.

## Outlook

These are challenging times for pension fund management. The global economic outlook and increased levels of volatility in the financial markets have resulted in particular problems for investment management and strategy. Investment performance is key to the funding position of pension schemes and there may be an impact on employer contributions in the medium term. It is against this backdrop, and at a time of continued austerity in the public sector, that the new Public Service Pensions Bill has been published. The bill signals more changes ahead for pension schemes, with some changes aimed at reducing costs, and others at setting a common legislative framework and improving governance arrangements.

Proposed changes to pension schemes will impact on administrative workloads going forward as will any further severance activity by employers. Additionally, auto-enrolment begins for some employers in 2012/13 and this will also affect information requirements and administration arrangements.

The co-operation and assistance given to us by officers is gratefully acknowledged.

# Introduction

1. This report is the summary of our findings from the 2011/12 audit of Shetland Islands Council Pension Fund. The nature and scope of the audit were outlined in the Audit Plan presented to the Audit and Standards Committee on 16 February 2012, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011. The purpose of the annual audit report is to summarise the auditor's opinions (i.e. on the financial statements) and conclusions, and to report any significant issues arising. The report is divided into sections which reflect the public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of the administering authority's arrangements for the management of the fund.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that those charged with governance as part of Shetland Islands Council Pension Fund understand its risks and have arrangements in place to manage these risks. The fund should ensure that those charged with governance are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to those charged with governance and the Controller of Audit and should form a key part of discussions with the Audit and Standards committee, either prior to, or as soon as possible after, the formal completion of the audit of the financial statements. Reports should be available to the Scottish Parliament, other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by those charged with governance. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament.
6. Shetland Islands Council Pension Fund is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. The auditor is responsible for auditing and expressing an opinion on the financial statements. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

# Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
  - whether they give a true and fair view of the financial transactions of the fund during the year ended 31 March 2012 and of the amount and disposition at that date of its assets and liabilities
  - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the Foreword and governance compliance statement. This section summarises the results of our audit on the financial statements.

## Audit opinion

10. We have given an unqualified opinion that the financial statements of Shetland Islands Council Pension Fund for 2011/12 give a true and fair view of the state of the affairs of the fund as at 31 March 2012 and of the income and expenditure for the year then ended.

## Legality

11. Through our planned audit work we consider the legality of the pension fund's financial transactions. In addition, the Executive Manager - Finance has confirmed that, to the best of his knowledge and belief, the financial transactions of the pension fund were in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to the attention of those charged with governance.

## Governance Compliance Statement

12. We are satisfied with the disclosures made in the statement which cover the areas and levels of compliance required by the Scottish Government's guidance.

## Annual Report

13. The Scottish Government guidance requires that the annual report for the pension fund incorporates the following:
  - the financial statements
  - a report about the management and financial performance of the funds during the year; a report explaining the authority's investment policy and reviewing the performance during the year of the investments of each fund; a report of the arrangements made during the year for the administration of the funds
  - a statement by the actuary of the level of funding disclosed by their valuation
  - the governance compliance statement, funding strategy statement, and statement of investment principles (or details of where these statements may be obtained)
  - the extent to which levels of performance set out in the pension administration strategy have been achieved
  - any other material which the authority considers appropriate.
14. We are satisfied that the report incorporates the above sections and that the other sections are consistent with the audited accounts.

## Accounting issues

15. Local authority bodies in Scotland are required to follow the 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom (the 2011 Code), including the application of International Financial Reporting Standards (IFRSs). We were satisfied that the pension fund prepared the accounts in accordance with the 2011 Code requirements.

## Accounts submission

16. The fund's unaudited financial statements and annual report were submitted to the Controller of Audit in advance of the deadline of 30 June 2012. The quality of accounts was good and a working papers package was also available by this date. This was a considerable improvement from the previous year when the deadline was missed. As a result, we were able to conclude the audit and certify the financial statements and annual report by 27 September 2012. The annual report and accounts are now available for presentation to members and for publication.

## Presentational and monetary adjustments to the unaudited accounts

17. In line with International Standards on Auditing 260 *Communication of audit matters to those charged with governance*, we reported the conclusions of our audit to the Audit and Standards Committee which were that no material changes were required to the figures in the financial statements as a result of our audit, other than corrections to typographical errors. A number of presentational changes were identified and corrected to ensure that the disclosures in the accounts complied with guidance.



# Financial position

18. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
19. Auditors consider whether audited bodies have established adequate arrangements and examine:
  - financial performance in the period under audit
  - compliance with any statutory financial requirements and financial targets
  - ability to meet known or contingent, statutory and other financial obligations
  - responses to developments which may have an impact on the financial position
  - financial plans for future periods.
20. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

## Financial results

### Budgetary control

21. Although costs were kept under review in 2011/12, the pension fund does not set a budget for its activities or report on progress through the year. This is mainly due to the fact that, for most of its activities (receiving contributions, paying pensions, investing activities); it does not have control over the value of the transactions at any one time.
22. There are, however, some elements of expenditure (administration costs, investment manager expenses and other overheads) which are suitable for more standard budgetary control reporting.
23. The fund accepts that it would be beneficial for a budget to be set for the specific areas indicated together with financial monitoring of other aspects of pension accounting. The pension fund accounts being moved on to the Council's financial system for 2012/13 will facilitate this development.

The pension fund accounts are currently managed using a comprehensive Microsoft Excel spreadsheet. However, the council plan to move the accounts on to the Integra financial ledger system for 2012/13 which will help a budget to be set for the specific areas where it does exercise some control.

**Action Plan no 1**

## Funding position

24. The most recent triennial valuation, which is essential for determining future contribution levels, was published in January 2012. The valuation reported a funding level of 91% as at 31 March 2011 (a funding shortfall of £25 million) and calculated that a theoretical employer contribution rate of 18.8% would be required to extinguish the shortfall over a 20 year period. This compares to an 88% funding level (a funding shortfall of £26 million) and an 18.9% theoretical employer contribution rate from the previous valuation as at 31 March 2008.
25. Moving on a year and in accordance with IAS26 'Accounting and Reporting by Retirement Benefit Plans', the overall position at 31 March 2012 is that the fund had assets of £260 million (2010/11:£251 million). These are matched against an overall liability of £351 million (2010/11: £276 million), being the present value of promised retirement benefits. This gives rise to a net liability of £91 million (2010/11: £25 million). The liability is an estimate of the present value of the future liabilities of the fund, based on the fund actuary's assumptions regarding the future discount rate, longevity of members and rate of inflation.
26. As recorded in the Actuarial Statement for 2011/12, the increase in the liability reflects the reduction in the real discount rate (the nominal discount rate net of inflation). This has arisen because there has been a significant fall in Government bond yields over the year, albeit offset to an extent by a reduction in market expectations of long term inflation.

## Investment performance 2011/12

27. As stated above, the fund held investment assets of £260 million at 31 March 2012, an increase of £9 million from the previous year. A revised statement of investment principles was approved in March 2012 to align with changes in pension legislation and requirements of best practice as per CIPFA guidance.
28. In 2013, the pension fund is planning to explore different investment scenarios with the intention of developing a more focused investment strategy. We will review progress made in this area during 2012/13.

**Action Plan no 2**

## Outlook

29. Looking ahead it is clear that the outlook for public spending remains very challenging as significant budget reductions are required in future years. This will have a negative impact on the pension fund where scheduled and admitted bodies are gaining efficiencies by a reduction in staffing levels.
30. An analysis of the fund membership shows that there is an emerging trend of a reduced number of active members and an increased number of pensioners and deferred members. If this continues, it will have an adverse effect on the pension fund in terms of cash flows, the contribution rates paid by employers, and the appropriateness of the investment strategy.

**Action Plan no 3**

31. Pension benefits accruing to the staff of Shetland Towage up until 10 February 2006 were transferred to the Shetland Islands Council Pension Fund. The assets of Shetland Towage's Pension Scheme that funded these benefits were also transferred with the Council agreeing to cover any funding shortfall. The amount of the shortfall has been valued by the Council's actuary at £7.6million.
32. The Council has made arrangements to pay the fund £2 million per annum for the next 3 years to meet the funding shortfall and a final £1.6 million contribution in the year ending 31 March 2016.

# Governance and accountability

33. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
34. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
35. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
  - corporate governance and systems of internal control
  - the prevention and detection of fraud and irregularity
  - standards of conduct and arrangements for the prevention and detection of corruption.
36. In this part of the report we comment on key areas of governance.

## Corporate governance

### Processes and committees

37. As the administering authority, Shetland Islands Council has statutory responsibility for the administration of the fund. Its functions are carried out in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 and the Superannuation Act 1972. The fund's governance arrangements run alongside those of the council. The current arrangements are that all pension fund issues are reviewed by the full council. The overview of the pension fund performance rests with the Executive Committee which meets at least six times per annum.
38. The full council meets to consider the investment strategy and approach, to review or terminate managers' mandates, to agree to admit new bodies to the fund and to review the performance of fund managers.
39. There is also a Pension Fund Management Consultative Committee in place that meets approximately twice a year. The role of this committee is to involve a wider range of stakeholders in overseeing the pension services.

40. As the pension fund does not have its own audit committee, it was agreed in 2010/11 that "those charged with governance" should be the council's audit and scrutiny committee. The annual plan, governance report, ISA260 letter and draft audit certificate were all reported to members of this committee and this report is also being submitted to it.
41. The council, as the administrative body, developed a new decision making structure during 2011/12 to enhance governance arrangements. The governance arrangements of the fund were presented to, and discussed at a meeting of, the council on 20 September 2012 which highlighted the good overall progress made, in particular by implementing new political management arrangements and a new management structure which included the appointment of a new Executive Manager - Finance (Section 95 Officer) in April 2012 and Chief Executive in September 2012. We will continue to review these arrangements as part of the 2012/13 audit of the fund.
42. A governance compliance statement contained within the annual report and accounts sets out areas of compliance and non-compliance by the pension fund with guidance issued by the Scottish Government on committee governance arrangements. The guidance covers membership of the pension committee, frequency of meetings, training of members and several other areas.
43. The fund's compliance statement disclosed that its governance arrangements were largely compliant with the standards set out in the guidance. "Training/facility time/expenses" was identified as an area in which arrangements were being developed further. We will review progress made in this area during 2012/13.
44. Given the complex nature of pensions and investments, it is important that the relevant individuals receive continuous training and support to enable effective scrutiny. There are likely to be many legislative and regulatory changes over the coming years, so it is essential that there is sufficient training to keep individuals up to date with current events. This is particularly important for those taking up new responsibilities, for example, new members following the Scottish local government elections in May 2012.

## Internal control

45. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
46. There are specific systems and lines of responsibility for pension administration and for investment transactions which run alongside those of the administering authority, mainly its financial ledger and payroll system. Our review of these financial systems did not identify any significant issues.

47. Our review of the fund's investments found that regulations limiting the type and percentage of permitted investments are only considered when an agreement is prepared between the council and a fund manager. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 places limits on the type and percentage of permitted investments. These regulations are considered when an agreement is prepared between the council and a fund manager. Due to the nature of these investments, the pension fund does not know the composition of the unit trusts. The council has accepted the risk that fund managers are not complying with the legislation regarding the type and percentage of permitted investments. The council's view is that no action is required as the pension fund invests in unitised products in line with the investment regulations.

**Action Plan no 4**

48. At present, pension fund contributions and other income are significantly greater than benefits paid and other costs and the pension fund builds up a large cash deposit over the year. To maximise the return for the pension fund, sums are transferred to Black Rock for investment. There is no agreement in place with the fund manager for these additional investments regarding the limits on the type and percentage of investments. The council plans to undertake a full review of the pension fund investments by the end of 2012 to address this on-going risk.

**Action Plan no 5**

## Prevention and detection of fraud and irregularities

49. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
50. The pension fund complies with the relevant policies of Shetland Islands Council and these have been reviewed as part of the council-wide audit. We are not aware of any specific issues relating to this aspect of the audit that we need to identify in this report.

### NFI in Scotland

51. Audit Scotland has coordinated another major counter-fraud exercise working together with a range of Scottish public bodies, external auditors and the Audit Commission to identify fraud and error. These exercises, known as the National Fraud Initiative in Scotland (NFI), are undertaken every two years as part of the statutory audits of the participating bodies. The latest exercise started in October 2010 and was reported upon in May 2012. The next round of NFI is due to commence in June 2012, and will look to expand the range of data sets and bodies.
52. The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. Where matches are identified these are made available to bodies to investigate via a secure web application. Bodies investigate these and record appropriate outcomes based on their investigations.

53. As part of our local audit work we monitor the council's approach to participation in NFI both in terms of the submission of the required datasets and strategies for investigating the subsequent data matches. With regard to pensions, there were four matching reports that identify people who are in receipt of pension but also appear on DWP and registrars records as being deceased, or who appear on another payroll system. One member of the Investments and Pensions division is responsible for investigating these cases, in conjunction with colleagues in the Corporate Services division.
54. The four NFI pension reports identified a total of one hundred and thirteen matched items with twenty four of these classified as "recommended filter matches". Following investigation of all matched items, no errors or benefit outcomes were identified by the Council.

## **Standards of conduct and arrangements for the prevention / detection of bribery and corruption**

55. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. We are not aware of any specific issues that we need to identify in this report.

## **Outlook**

56. There are a number of on-going developments in the public sector pension environment that could have a significant impact on the operation of local government pension schemes.
57. Following the acceptance by government of a principles document submitted by the Local Government Association, UNISON and GMB on how to take forward the reform of the Local Government Pension Scheme in England and Wales, a project has been set up to reach agreement on the elements of the new scheme together with the management and governance of the scheme going forward. The full extent of the recommendations made in the Hutton report and how they impact upon pension schemes in Scotland remains uncertain.
58. It is important, in light of these on-going developments that the training needs of Pensions Committee members are kept under review to ensure that members are appropriately briefed on new developments and their potential impact.

**Action Plan no 6**

# Best Value, use of resources and performance

59. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.
60. Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
61. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
  - a performance audit which may result in the publication of a national report
  - an examination of the implications of a particular topic or performance audit for an audited body at local level
  - a review of a body's response to national recommendations.
62. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
63. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
64. This section includes a commentary on the Best Value and performance management arrangements within the fund. We also note any headline performance measures used by members and comment on any relevant national reports.

## Management arrangements

### Best Value

65. The pension fund has not been subject to a Best Value review. However, it is covered by the overall Best Value arrangements of the administering authority.



## Investment Performance

66. The main mechanism for measuring investment performance is overseen by an independent investment advisor (WM Company) through an analysis of the returns achieved by each of the fund's external fund managers. Each fund manager's performance, in terms of achieving benchmarks, is subject to independent verification by WM Company. Mid year and year end performance is reported to the pension fund management consultative committee and executive committee.
67. In addition it is normal practice for fund managers to give an annual presentation to the council and the pension fund management consultative committee to review the performance of the previous year and allow the opportunity for questions and explanations. Various other monitoring arrangements are in place, which are based on the regular supply of information available from the fund managers. The year end performance report was delayed due to the elections in May 2012; however there are plans to report to the members in November 2012.

## Administration Performance

68. An administrative strategy was approved by the pension fund management consultative committee and executive committee in January 2012. A range of service standards have been developed by the Pensions Section who plan to actively monitor these on a regular basis and report to members and committee during 2012/13.

## Overview of performance in 2011/12

### The Pension Fund's performance measurement outcomes

69. As recorded in the annual report and accounts, the performance of the investments by fund managers for 2011/12 were as follows:
  - BlackRock (passive investments manager) - return 0.6%, 0.1% above the benchmark return of 0.5%.
  - Schroders (property manager) - return 3.2%, 2.5% below the benchmark return of 5.7%.
70. As indicated above, service standards for administrative performance have been developed and there are plans to report on these in 2012/13. We support these developments which will help to monitor performance and identify corrective action. We note that additional detail on the performance of pension's administration in the annual report would improve accountability. We will review progress made in this area during 2012/13.

**Action Plan no 7**

## National performance reports

71. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year which may be of interest to members and officers are detailed in Table 1.

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**Table 1: A selection of National performance reports 2011/12**

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|---|---|
| <ul style="list-style-type: none"><li>• An overview of local government in Scotland - challenges and change in 2012</li><li>• Learning the lessons of public body mergers</li></ul> | <ul style="list-style-type: none"><li>• The National Fraud Initiative in Scotland</li><li>• How Council's work: using cost information to improve performance</li></ul> |
|---|---|

Source: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

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72. We suggest that officers review national performance reports as they become available and consider any findings which may impact on the pension fund.

## Outlook

73. Continuing to meet performance targets will become more challenging in the coming years. Investment targets are set based on advice from investment advisors and standard industry benchmarks. The funds will have to remain vigilant, and ensure that they have the right diversification of funds to minimise exposure to risk while still delivering the required returns.

# Appendix A: audit reports

## External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to Audit and Scrutiny Committee
Annual Audit Plan	1 February 2012	16 February 2012
Internal controls management letter	27 July 2012	14 August 2012
Report on financial statements to those charged with governance	14 September 2012	27 September 2012
Audit opinion on the 2011/12 financial statements	27 September 2012	27 September 2012
Annual Report to Members on the 2011/12 audit	October 2012	13 December 2012

# Appendix B: action plan

## Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	<p><b>Budgetary Control</b></p> <p>The fund has yet to implement budgetary control processes for the elements of costs which it has the ability to control (administration costs, investment manager expenses and other overheads).</p> <p><b>Risk:</b> Increased costs may not be addressed if budgets are not prepared and performance is not monitored.</p>	<p>A budget will be prepared for the Pension Fund in 2013-14 which will be approved by the Council in February 2013.</p> <p>Following this, the budget will be monitored on a quarterly basis.</p>	Executive Manager - Finance	31 March 2013
2	<p><b>Investment Performance</b></p> <p>An updated investment strategy is planned to be developed.</p> <p><b>Risk:</b> In the absence of a more focussed strategy, the pension fund may not achieve the required returns on investment.</p>	<p>The Council will shortly be commissioning a piece of work to seek external assistance with reviewing the Pension Fund's investment strategy. It is anticipated that this will result in an updated investment strategy by the start of the 2013-14 financial year.</p>	Executive Manager - Finance	31 March 2013

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	<p><b>Financial Challenges</b></p> <p>The changing profile of the fund's membership may have negative implications for the long term sustainability of the fund.</p> <p><b>Risk:</b> There is a risk that financial plans prepared by the pension fund are not achieved.</p>	<p>The Council is aware of the financial challenges around the sustainability of the pension fund and these will be fully considered as part of the review of the investment strategy.</p>	Executive Manager - Finance	31 March 2013
4	<p><b>Investment Regulations</b></p> <p>Regulations limiting the type and percentage of permitted investments are only considered when an agreement is prepared between the council and a fund manager. Due to the nature of these investments, the pension fund does not know the composition of the unit trusts.</p> <p><b>Risk:</b> There is a risk that fund managers are not complying with the legislation.</p>	<p>This will be reviewed as part of the investment strategy update exercise.</p>	Executive Manager - Finance	31 March 2013

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
5	<p><b>Fund Agreement</b></p> <p>There is no agreement in place with the fund manager for additional investments regarding the limits on the type and percentage of investments.</p> <p><b>Risk:</b> There is a risk that fund managers are not complying with the legislation.</p>	<p>This will be reviewed as part of the investment strategy update exercise.</p>	<p>Executive Manager - Finance</p>	<p>31 March 2013</p>
6	<p><b>Pension Reform</b></p> <p>There are a number of wide ranging developments in the public sector pension environment that will have a significant impact on the operation of local government pension schemes.</p> <p><b>Risk:</b> There is a risk that the decision-making process may be affected if members are not updated frequently on new developments.</p>	<p>Management are keeping up to date with developments in the public sector pension environment. Members will be updated as necessary to ensure that they are kept up to date with all developments and the impact that they will have on the SIC Pension Fund.</p>	<p>Executive Manager - Finance</p>	<p>Immediate</p>

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
7	<p><b>Administrative performance</b></p> <p>Service standards for administrative performance have been developed and there are plans to report on these in 2012/13.</p> <p><b>Risk:</b> Lack of monitoring and public reporting of administrative performance may result in poor performance going undetected or uncorrected.</p>	Administrative performance will be monitored from 2013-14 onwards.	Executive Manager - Finance	31 March 2013