



Shetland Islands Council Pension Fund

2014/15 annual audit
report to Members and
the Controller of Audit

September 2015

The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies. (www.audit-scotland.gov.uk/about/ac)

Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General. (www.audit-scotland.gov.uk)

The Accounts Commission has appointed David McConnell as the external auditor of Shetland Islands Council Pension Fund for the period 2011/12 to 2015/16.

This report has been prepared for the use of Shetland Islands Council as pension fund administrator and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the council. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

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Key messages

<p>Audit of financial statements</p>	<ul style="list-style-type: none"> • Unqualified auditor's report on the 2014/15 financial statements. • No adjustments required to the fund's financial statements.
<p>Financial management and sustainability</p>	<ul style="list-style-type: none"> • The actuary completed the 2014 triennial valuation, and reported that the fund's assets were sufficient to meet 92% of its liabilities. The scheme is in deficit. • Net assets increased by 10.5% to £367.8m, due mainly to the performance of the investments. • Overall, satisfactory financial management arrangements in place.
<p>Governance and transparency</p>	<ul style="list-style-type: none"> • The Pension Fund Consultative Panel has become the Pension Board for the purposes of pension fund business and includes councillor, trade union and admitted body representatives. • A Pension Fund Committee has been established. The remit of the committee gives it delegated authority over all pension fund business. • System of internal control operated effectively.
<p>Best Value</p>	<ul style="list-style-type: none"> • The fund has a ratio of management expenses to net assets (total expense ratio) of 0.36%, which compares very well with other funds. • Investment returns were slightly below the benchmark target for 2014/15 and the 3 and 5 year benchmarks. • The fund issued annual benefit statements to its members.
<p>Outlook</p>	<ul style="list-style-type: none"> • From the start of 2015/16, the fund will provide benefits on a "career average" basis. This change will increase the complexity and workload of fund administration. • The global investment outlook is marred by political and economic challenges.

Introduction

1. This report is a summary of our findings arising from the 2014/15 audit of Shetland Islands Council Pension Fund (the fund). The report is divided into sections which reflect our public sector audit model.
2. The management of Shetland Islands Council (the council) as administering body, is responsible for:
 - preparing financial statements which give a true and fair view
 - implementing appropriate internal control systems
 - putting in place proper arrangements for the conduct of the fund's affairs
 - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of the fund, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. A number of local audit reports have been issued by Audit Scotland during the course of the year. These reports, summarised at **Appendix II**, include recommendations for improvement.
6. **Appendix III** is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that Shetland Islands Council as administering body understands its risks and has arrangements in place to manage these risks. The council and executive officers group should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Audit of the 2014/15 financial statements

Audit opinion	<ul style="list-style-type: none">• We have completed our audit and issued an unqualified independent auditor's report.
Going concern	<ul style="list-style-type: none">• The financial statements of the pension fund have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on the pension fund's ability to continue as a going concern.
Other information	<ul style="list-style-type: none">• We review and report on other information published with the financial statements, including the management commentary, investment policy and performance report and annual governance statement. We have nothing to report in respect of these statements.

Submission of financial statements for audit

9. We received the unaudited financial statements on 29 June 2015, in accordance with the agreed timetable. The working papers were of a good standard and council staff provided good support to the audit team which assisted in the delivery of the audit to deadline.

Overview of the scope of the audit of the financial statements

10. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit,

were outlined in our Annual Audit Plan presented to the Audit Committee on 24 February 2015.

11. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2014/15 agreed fee for the audit was set out in the Annual Audit Plan and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
12. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements and consequently had the greatest effect on the audit strategy,

resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. **Appendix I** sets out the significant audit risks identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

13. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

14. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).
15. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

16. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of Shetland Islands Council Pension Fund, we set our planning materiality at £1.66 million (0.5% of net assets).
17. We report all misstatements greater than £17,000. Performance materiality was calculated at £1.16 million, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.
18. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and concluded that our original calculation remained appropriate.

Evaluation of misstatements

19. A number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements.

Significant findings from the audit

20. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
 - the auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting

policies, accounting estimates and financial statement disclosures

- significant difficulties encountered during the audit
- significant matters arising from the audit that were discussed, or subject to correspondence with management
- written representations requested by the auditor
- other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.

21. There are no matters, other than those set out elsewhere in this report, to which we wish to draw to your attention.

Recent developments

Public Services Pensions Act 2013

22. The 2013 Act brings a number of significant changes to the Local Government Pension Scheme (LGPS) (Scotland) that apply from 1 April 2015. Some of the main changes are

illustrated below:

Benefits from 1 April 2015 will build up on a career average basis at the rate of 1/49th of annual pensionable earnings

Normal Pension Age will be aligned with each member's own State Pension Age

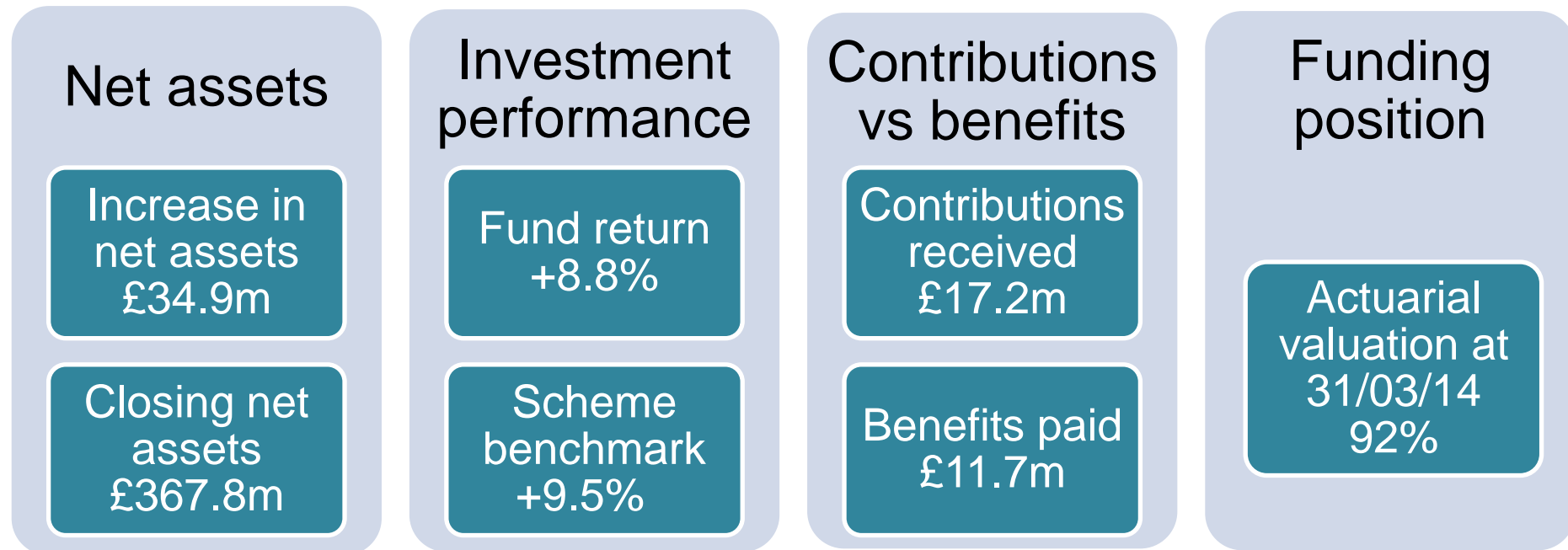
The LGPS will have a national Advisory Board and local pension boards

Revised governance arrangements

23. The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 (SSI 2015-60) set out the new governance arrangements required from 1 April 2015.
24. At a national level the new arrangements include the establishment of a Scheme Advisory Board. Its role is to:

- provide advice to Scottish Ministers on proposed changes to the LGPS (Scotland)
 - provide advice to scheme managers or the scheme's pension boards on the effective and efficient administration of the scheme and any funds within the scheme.
25. The act also extends the powers of the Pensions Regulator to cover standards of governance and administration of the LGPS (Scotland).
26. At the local level, another key feature is the requirement for a Pension Board to be established from 1 April 2015 to assist the scheme manager (the council) in securing compliance with the scheme rules and with the Pension Regulator's codes of practice. The council formed a Pension Board in May 2015 which will meet for the first time in September 2015.

Financial management and sustainability



Financial management

27. In this section we comment on the fund's financial outcomes and assess its financial management arrangements.
28. Pension fund finances are independently assessed every three years by the fund's actuary. Employer contribution rates are determined by the actuary and used by the council as administering body to set an annual budget for the pension fund's expenditure and income. Regular monitoring of expenditure and income against agreed budgets is central to effective financial management.

Financial outcomes

29. Overall the council as administering body reported an increase in net assets of £34.9 million (10.5%). This relates mainly to £20.4 million of increases in investment market values and £2.4 million of investment income, which is higher than last year's figure of £0.9 million, reflecting improvement in the world economy.
30. There was also a surplus of contribution income over the cost of pensions, and the net increase in the fund from dealings with members was £5.5 million, against £6.8 million last year. The decrease was due to variation in the value of transfers in and out, with less received from transfers in, increased administrative expenses and a higher cost of members leaving the scheme.

Financial management arrangements

31. As auditors, we consider whether pension funds have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
 - the proper officer has sufficient status within the council to be able to deliver good financial management
 - financial regulations are comprehensive, current and promoted within the council
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance
 - members provide a good level of challenge and question budget holders on significant variances.
32. We assessed the role and status of the proper officer against CIPFA's "Statement on the role of the Chief Financial Officer in Local Government" and concluded that the council complies with the statement's five principles.
33. We reviewed the council's financial regulations, which are revised annually, and concluded that they are comprehensive and current. The council's financial regulations are available on the council's website.
34. Quarterly financial monitoring and a mid-year review is reported to the council's Policy & Resources Committee and the Pension Fund Consultative Panel to monitor the financial performance of the

Pension Fund to ensure that expenditure incurred and income generated has been delivered within the approved budget.

Conclusion on financial management

35. We have concluded that the council's financial management arrangements are satisfactory.

Financial sustainability

36. 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. There is a timing difference of many years between the receipt of contributions and the payment of pensions. Financial sustainability means that the fund maintains the capacity to meet the current and future needs of its members, despite changes of investment performance and life expectancy.
37. In assessing financial sustainability we are concerned with whether:
- the fund's liabilities are greater or smaller than the fund's assets (the actuarial position)
 - contribution rates strike an appropriate balance between the needs of the scheme and the needs of employers
 - where there is a deficit, long term recovery measures are in place
 - the fund's investments have a profile of risk that is consistent with expected cash flows.

38. Effective investment strategy, investment management and regular actuarial review are crucial to sustainability.

Funding position

39. The last two actuarial reviews showed the fund in a position of deficit, with liabilities exceeding assets (see Exhibit 1 below). The employer contribution rates over the three year period 2015/16 to 2017/18 will be 18.7%, 19.8% and 20.8% respectively. The council will also make a payment of £1.6 million in 2015/16 to meet a funding shortfall arising from the transfer of pension benefits associated with former Shetland Towage employees.

Exhibit 1: Funding valuations 2011 to 2014

Description	31 March 2011	31 March 2014
	£ million	£ million
Assets	251	333
Liabilities	(276)	(363)
Net Liability	(25)	(30)
Funding level	91%	92%

Source: Shetland Islands Council Pension Fund 2014/15 financial statements

Financial planning

40. The financial plans of pension funds have a horizon determined by the expected longevity of their members, and by assumptions about investment returns and the benefits payable in the future. Every

three years, following the triennial review, the administering authority updates the Funding Strategy Statement.

41. Fund membership increased during the financial year by 417 to 6,222 and is likely to increase further as other employers progress through the auto-enrolment process. This is an area for management to monitor closely to ensure the fund remains sustainable.
42. At present the fund's strategy is for 10% of investment assets to be held in the least volatile income-returning class of bonds and index linked securities and actually holds 9.3% in this class.
43. The Pension Fund Investment Strategy 2014-2027 which was approved by the Council in March 2014 proposes that 38% of the pension fund will be managed passively (in UK and Overseas Equities) with 62% managed actively (in Bonds, Property, Diversified Growth Fund and Global Equities). Although the proposed investment strategy will increase fund manager fees paid by approximately £0.8 million per annum, these costs will be outweighed by the higher investment returns in the long term in order to ensure the pension fund is fully funded by 2027. The actuarial advice from the funds actuary Hymans Robertson was that if the council continued with its passive management strategy, there was a significant risk that the pension fund would fail to become fully funded by 2027.

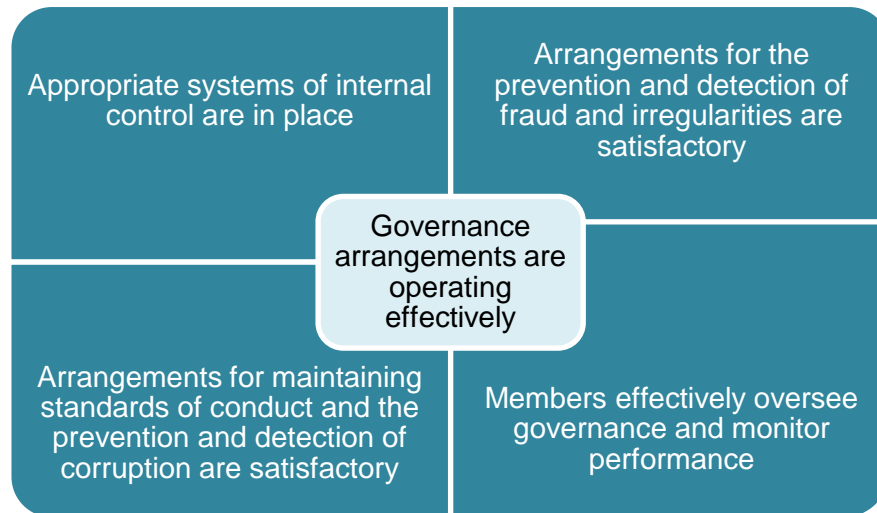
Conclusion on financial sustainability

44. We conclude that the fund is in a stable position with regard to financial sustainability.

Outlook

45. While the fund is currently in a stable position, it is clear that the outlook for public spending remains very challenging and the need for spending constraints and budget reductions will continue. Any further staff reduction schemes introduced by employers will place pressure on the fund, arising from lower member contribution levels and increased administration workloads.
46. The Public Service Pensions Act 2013 is designed to ensure the continued sustainability of the LGPS. In particular, the introduction of the 'employer cost cap' which will shift some of the risk of future rises in scheme costs onto members.
47. The Scottish LGPS Advisory Board is being formed with effect from 1 April 2015 under section 7 of the Public Service Pensions Act 2013. It is expected to operate at national level and will have members drawn from employers, trade unions, professional advisors and bodies such as the Pensions Regulator and the National Association of Pension Funds.
48. It may publish guidance for funds, for example on the operation of their local Pension Boards, and provide a forum for discussion of the future structure of the LGPS.

Governance and transparency



49. Members of the council and the Proper Officer are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements. We concluded that the council has effective over-arching and supporting governance arrangements which provide an appropriate framework for organisational decision making.
50. Members of the pension fund should be able to hold the fund to account about the services it provides. Transparency means that

fund members have access to understandable, relevant and timely information about how the fund is taking decisions and how it is using its resources.

Corporate governance

51. The council acts as the administering authority for the fund. It is responsible for managing and administering the scheme for scheduled and admitted bodies.
52. The current arrangements are that all pension fund issues are reviewed by the full council. The Policy and Resources Committee has the responsibility of reviewing the performance of the pension fund. In addition, there is a Pension Fund Consultative Panel in place which meets approximately twice per year. The role of this panel is to involve a wider range of stakeholders in overseeing the pension fund.
53. The governance structure was revised during 2015/16 as follows:
 - In May 2015, the Council agreed that a Pension Fund Committee would be formed. The remit of this committee gives it delegated authority over all pension fund business.
 - At the same time, a Pension Board was set up, with separate membership, consisting of employer members and trade union representatives.
54. These new governance arrangements came into force on 1 April 2015 (see paragraph 26). These were discussed and approved by the Council on 27 May 2015.

55. The main change is the formation of the new Pension Board, in compliance with the Public Service Pensions Act 2013. The Board's role is to assist the Scheme Manager, the council, in ensuring compliance with the rules relating to scheme governance and administration.

Internal control

56. The fund's main financial systems run alongside those of the administering authority, the council, and the fund uses the council's financial ledger and payroll system to process transactions. The fund also has specific systems in place for pension administration and investments.
57. As part of our audit we reviewed the high level controls in a number of systems fundamental to the preparation of the financial statements. Our objective was to obtain evidence to support our opinion on the fund's financial statements.
58. We reported our findings to the council's Audit Committee in May 2015. No material weaknesses in the accounting and internal control systems were identified which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Internal audit

59. The internal audit service is provided by the council. Our review of internal audit concluded that it complies with the main requirements

of the Public Sector Internal Audit Standards and has sound documentation standards and reporting procedures in place.

60. Internal audit did not carry out any specific work on the fund this year. We would like to see more explicit coverage of pension fund systems, perhaps linked to work on council systems.

Recommendation 1

Arrangements for the prevention and detection of fraud

61. The pension fund complies with the relevant fraud and irregularity policies of the council and these have been reviewed as part of the council wide audit. No issues have been identified by us for inclusion in this report.

National Fraud Initiative in Scotland

62. The National Fraud Initiative (NFI) in Scotland brings together data from councils and other agencies to help identify and prevent a wide range of frauds against the public sector. Matching data obtained from the systems of participating bodies allows the identification of potentially fraudulent claims on the public purse including housing benefit fraud, occupational pension fraud and payroll fraud. If fraud or overpayments are not identified in a body, and the NFI exercise has been undertaken properly, assurances may be taken about internal arrangements for preventing and detecting fraud.
63. Overall, we concluded that the council's arrangements in place for investigating and reporting data matches identified by the NFI need

to be reviewed as progress has been slower than expected. We have made a recommendation in relation to this area within our 2014/15 annual audit report on Shetlands Islands Council, as the administering authority.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

64. The arrangements for the prevention and detection of corruption in the fund are satisfactory and we are not aware of any specific issues that we need to record.

Transparency

65. Financial monitoring reports were provided to attendees at the Pension Fund Consultative Panel and the Policy & Resources Committee.
66. Information regarding the fund is published on the council's website. However, documents are currently dispersed across several areas, including committee papers, and it would improve transparency to group them under one dedicated home-page area within the council website. It would also help to include the names and register of interests of the members of the Pension Board and Pension Fund Committee in the same place, for ease of reference.

Recommendation 2

Risk Register

67. Our 2014/15 Annual Audit Plan highlighted that the fund did not currently have its own risk register in place and there was a risk that issues specific to the fund are not identified and addressed. We noted that a risk register which is specific to the fund has yet to be produced.

Recommendation 3

Outlook

68. The introduction of career average pensions will not only increase administrative workloads initially but could generate more enquiries from fund members seeking clarification of their benefits on an ongoing basis. It will also increase the complexity of pension calculations significantly.

Best Value

70. The fund has a duty to ensure Best Value in the provision of services and to report performance publicly so that fund members, employers and other stakeholders know the quality of service being delivered and what they can expect in the future.
71. The fund has not been subject to a Best Value review however, it is covered by the overall Best Value arrangements of the council as the administering authority.

Performance management

72. The fund has service standards for administration and recently started to report its performance. Performance has been reported within the management commentary section of the 2014/15 fund annual report and accounts.

Investment performance

73. The main mechanism for measuring investment performance is through an analysis of the returns achieved by each of the fund's external fund managers. The managers' performance, in terms of achieving benchmarks, is subject to independent verification by an independent investment adviser (State Street). Mid year and year end performance is reported to the Policy & Resources Committee and the Pension Fund Consultative Panel.

74. Over the long term, the overall level of investment return achieved by the fund is expected to exceed the rate of return assumed by the actuary in valuing the fund. Investment returns of Shetland Islands Council Pension Fund were slightly below the benchmark target for 2014/15 and the 3 and 5 year benchmarks. It should be noted that there were additional costs incurred in 2014/15 to implement the change in investment strategy which had an impact on the costs for the Fund, and as such there was an additional one-off cost. Recent investment performance of the fund is highlighted in Exhibit 2 below:

Exhibit 2: Fund Investment Performance

Description	2014/15 %	3 Year %	5 Year %
Fund Return	8.8	10	7.4
Benchmark	9.5	10.2	7.8
Performance	-0.7	-0.2	-0.4

Source: Shetland Islands Council Pension Fund 2014/15 financial statements

75. Given the performance figures in the table above, fund manager performance should continue to be closely monitored in the future to help ensure that benchmark returns are achieved.

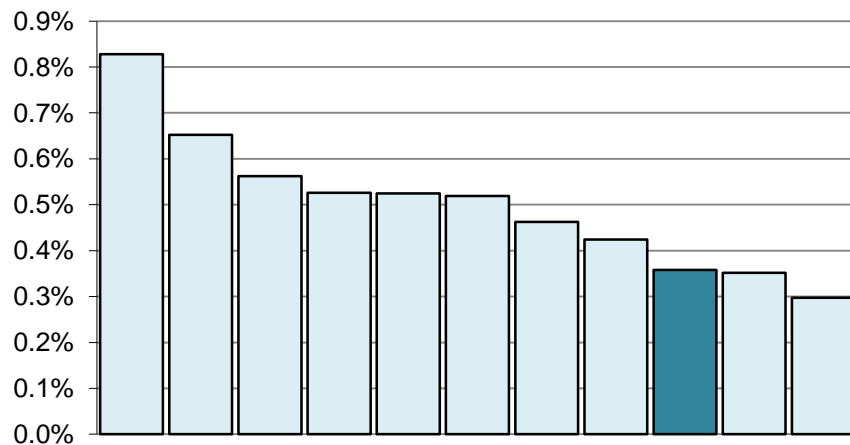
Management expenses

76. There are three main categories of management expense, with the largest being investment management costs. There is also the cost

of the administration services provided by the council and the governance fees for actuarial and audit services.

- 77. This year investment management costs rose from £462,000 to £871,000. At 0.2% of assets under management, the fee agreement with fund managers remains good value for the council.
- 78. Exhibit 3 shows provisional figures for total management costs as a percentage of net assets, with Shetland Islands Pension Fund highlighted separately.

Exhibit 3: Management costs as percentage of net assets of Scottish LGPS funds



Source: Draft financial statements published for 2014/15

- 79. At 0.36%, the fund’s management costs are comparatively low, which contributes to long term asset growth. However, as noted in

paragraph 43, fund manager fees will increase by approximately £0.8 million per annum as a result of the updated Pension Fund Investment Strategy.

National performance audit reports

- 80. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2014/15, no reports were issued which directly related to pension funds.
- 81. A number of local government reports were issued during the year and some of the topics covered may be of interest to members. These include:
 - Scotland’s public finances – a follow up: Progress in meeting the challenges (June 2014)
 - Update on developing financial reporting (March 2015)
 - An overview of local government in Scotland (March 2015).
- 82. These and other Audit Scotland reports are available on Audit Scotland’s website (www.audit-scotland.gov.uk).

Outlook

- 83. Low interest rates and relaxed monetary policy have resulted in high equity valuations and low yields on fixed interest securities. Against this background, investment managers may find it difficult to achieve positive returns in 2015/16.

84. Continued global turmoil and persistent weaknesses in the Eurozone economies has created uncertainty in the financial markets. The UK government's commitment to hold a referendum on continued membership of the European Union is adding to this uncertainty. There is a risk that these factors could have a negative impact on asset valuations.

Appendix I – Significant audit risks

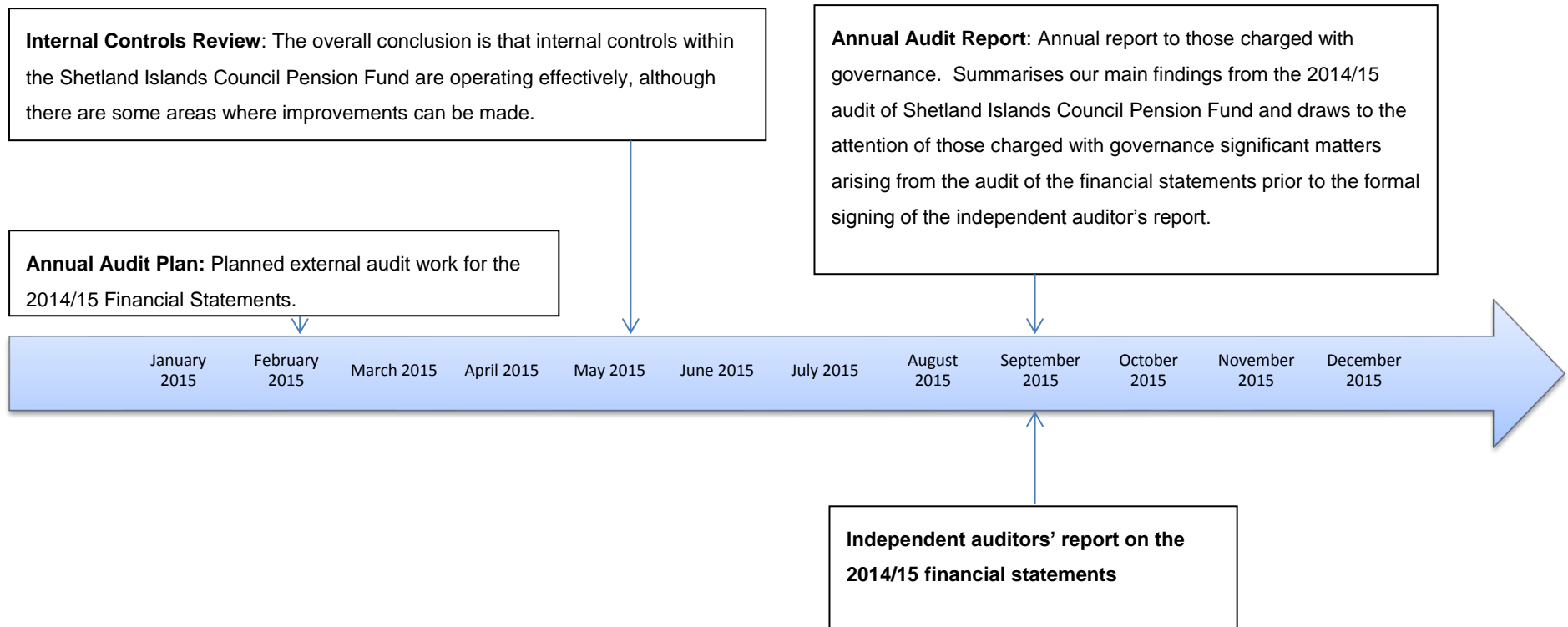
The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
Risk of material misstatement		
<p>Management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates for bias.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluating significant transactions that are outside the normal course of business.</p>	<p>We undertook detailed testing of journal entries, accruals and prepayments. We also reviewed accounting estimates and transactions for appropriateness.</p> <p>We did not identify any incidents of management override of controls.</p>
<p>Executive Manager – Finance (Section 95 Officer)</p> <p>Changes in the finance function may impact upon the operation of financial management and accounting arrangements.</p>	<p>Audit of financial statements to ensure compliance with the Code.</p> <p>Provide an update in the annual audit report.</p> <p>Ongoing liaison with finance staff to ensure that the unaudited financial statements are prepared in line with the Code.</p>	<p>We liaised with finance staff throughout the year and reviewed the financial statements to ensure compliance with the Code.</p> <p>No issues were identified in respect of financial management and accounting arrangements.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>Pension Fund System</p> <p>There is a risk that the new Pension Administration system is not operating effectively.</p>	<p>Undertake controls testing on new system.</p> <p>Ongoing liaison with finance staff to ensure that system is operating effectively.</p>	<p>We undertook controls testing on the new system and liaised with finance staff throughout the year in relation to the operation of the system.</p> <p>No issues were identified with regard to the new pension fund system.</p>
<p>Risks identified from the auditor’s wider responsibility under the Code of Audit Practice</p>		
<p>Risk Register</p> <p>In the absence of a risk register, there is a risk that specific issues relating to the fund are not identified.</p>	<p>Monitor progress throughout the year.</p> <p>Provide an update in the annual audit report.</p>	<p>The Pension Fund does not currently have its own risk register in place and there is a risk that issues specific to the fund are not identified and addressed.</p>

Appendix II – Summary of local audit reports 2014/15

Summary of Shetland Islands Council Pension Fund local audit reports 2014/15



Appendix III – Action plan

Action plan

No. Page/para	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
1 15/60	<p>Internal audit</p> <p>Internal audit did not carry out any specific work on the fund this year.</p> <p>Risk</p> <p>With limited coverage, it is difficult to fulfil assurance requirements over systems of internal control.</p> <p>Recommendation</p> <p>In the future, we would like to see more explicit coverage of pension fund systems, perhaps linked to work on council systems.</p>	<p>While no specific audits were carried out in relation to the pension fund, controls were tested as part of the pension fund's interrelationship with the Council systems and processes. A more robust approach to satisfy this recommendation will be sought during the year.</p>	<p>Executive Manager – Finance in conjunction with the Executive Manager – Audit, Risk & Improvement</p>	31 March 2016

No. Page/para	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
<p>2 16/66</p>	<p>Website</p> <p>Information about the pension fund is currently found on a number of pages of the council's site.</p> <p>Risk</p> <p>Scheme members may find it difficult to locate information on the fund, how it is governed and their benefits.</p> <p>Recommendation</p> <p>The council should consider putting all pension fund material including that relating to the sub-committee and board under a single home page located within the council's web-site.</p>	<p>The use of an up to date and relevant website is an important means of communicating with members and employers alike and is an initiative to be implemented. Limited staff resources have meant that this has not been possible. To take this forward the pension fund is now working with another pension fund to deliver information and relevant material through a website.</p>	<p>Executive Manager - Finance</p>	<p>30 June 2016</p>
<p>3 16/67</p>	<p>Risk Register</p> <p>The fund does not currently have its own risk register in place.</p> <p>Risk</p> <p>Issues specific to the fund are not identified and addressed.</p> <p>Recommendation</p> <p>A risk register which is specific to the fund should be developed and approved by the Pension Board.</p>	<p>A risk register for the Pension Fund is currently being prepared and will be presented to the next meeting of the Pensions Committee.</p>	<p>Executive Manager - Finance</p>	<p>31 December 2015</p>