Fife Pension Fund

2021/22 Annual Audit Report

Prepared for the Fife Pensions Committee and the Controller of Audit

November 2022

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Introduction

1. This report is a summary of our findings arising from the 2021/22 audit of Fife Pension Fund (the Fund). The scope of our audit was set out in our Annual Audit Plan presented to the Pensions Committee in March 2022. This report comprises an audit of the Fund's annual accounts and consideration of the wider dimensions required for public audit and set out in the Code of Audit Practice 2016.

2. The main elements of our audit work in 2021/22 have therefore been:

- an audit of the Fund's 2021/22 annual accounts including the issue of an independent auditor's report setting out our opinions
- a review of the Fund's main financial systems
- consideration of the four wider audit dimensions of financial management, financial sustainability, governance and transparency, and value for money.

Added Value

3. We add value to the Fund through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports (Appendix 2) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

4. Fife Council is the administering authority for the Fife Pension Fund. The council delegates this responsibility to the Pensions Committee. The committee is responsible for establishing effective governance arrangements and ensuring that financial management is effective. The Committee is required to review the effectiveness of internal control arrangements and approve the annual accounts.

5. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973, the Code of Audit Practice 2016, and supplementary guidance, and International Standards on Auditing in the UK.

6. As public sector auditors we give independent opinions on the annual accounts. Additionally, we also conclude on:

- the effectiveness of the Fund's performance management arrangements
- suitability and effectiveness of corporate governance arrangements and financial position
- arrangements for securing financial sustainability.

7. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice 2016 and supplementary guidance.

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

9. Our annual audit report contains an agreed action plan at Appendix 1 setting out specific recommendations, responsible officers, and dates for implementation. It also includes any outstanding actions from last year and progress against these.

Auditor Independence

10. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £37,530 as set out in our Annual Audit Plan remains unchanged.

12. This report is addressed to both the members of the Pensions Committee and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

13. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

14. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23, Azets will be the appointed auditor for Fife Pension Fund. We are working closely with the new auditors to ensure a well-managed transition.

15. We would like to thank the Pensions Committee and officers of the Fund for all the co-operation and assistance we have received over the last six years.

1. Audit of 2021/22 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main messages

Our opinions on the annual accounts are unmodified.

The accounts were made available for audit and inspection in line with the statutory timetable.

There were few issues arising from our accounts audit.

A number of our prior year recommendations are not yet complete.

Our audit opinions on the annual accounts are unmodified

16. The annual accounts for the year ended 31 March 2022 were approved by the Pensions Committee on 13 December 2022. We reported, within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the management commentary, annual governance statement and governance compliance statement were all consistent with the financial statements and properly prepared in accordance with the guidance.

17. There were delays in auditing the annual accounts due to Covid-19. The Fife Pension Fund audit was affected by issues in our wider audit portfolio and prioritisation decisions within the Fife audit team.

There were no objections raised to the annual accounts

18. Finance staff produced the accounts in line with the statutory timetable and made them available on the Fund's website on 1 July 2022.

19. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on their website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The notice for Fife

Pension Fund was published on the Fife Council website and complied with the regulations. No objections were received to the Fife Pension Fund accounts.

Overall materiality is £33 million

20. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of any misstatement.

21. We calculate overall materiality for the financial statements based on the net assets of the Fund and set a lower materiality for contributions and benefits.

22. On receipt of the unaudited annual accounts, we reviewed our materiality calculations and subsequently revised our assessment Exhibit 1.

Exhibit 1
Materiality values

Materiality level	Amount
Overall materiality	£ 33 million
Overall performance materiality	£20 million
Overall reporting threshold	£250,000
Specific materiality – contributions and benefits	£11.7 million
Specific performance materiality – contributions and benefits	£7 million

We have gained assurance over the significant risks identified in our audit plan

23. Exhibit 2 sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Assurance over significant planning risks

Audit risk	Assurance procedures	Results and conclusions
1. Risk of material misstatement due to fraud caused by the management override of controls As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	We assessed the design and implementation of controls over journal entry processing. Made enquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Tested journals at the year-end and post-closing entries and focus on risk areas and transactions with related parties. Considered the need to test journal entries and other adjustments during the period. Evaluated significant transactions outside the normal course of business. Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. Tested income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. Focussed testing of accounting accruals and prepayments.	The controls over journal entry processing were appropriate. We reviewed unusual journal activity and made enquiries of officers and did not identify any issues. Our testing of individual journals did not identify any significant issues. There was no evidence of significant transactions outside the normal course of business. Principles and methods of preparing accounting estimates were consistent with the prior year and reasonable. Testing of income and expenditure, and accruals and prepayments, did not identify any material errors. **Conclusion** No issues identified which indicate management override of controls.

We have no significant findings in relation to other areas of planned audit focus

24. In addition to the significant risk arising from possible management override of controls we identified risks of material misstatement in relation to:

- Valuation of level 3 investments. Level 3 investments involve estimation uncertainty due to the use of valuation models and unobservable inputs in their valuation. There is also a known timing lag for level 3 valuations which can mean that valuations are not up to date. Disclosure requirements for level 3 investments are complex.

- Valuation of the present value of promised retirement benefits. This disclosure is considered significant and is subject to volatility because small changes in actuarial assumptions result in large changes to the valuation.

25. We identified a valuation lag for level 3 investments of £9 million, with investment values in accounts being lower than actual valuations at year end. It is necessary for the accounts to be produced before all year end valuations are available and in the context of the Fund's accounts £9 million represents a tolerable degree of estimation error. There are no other issues arising from our review and testing of investment valuations.

26. We have no issues to raise in relation to the estimated value of promised retirement benefits.

We have one significant finding to report on the annual accounts

27. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. The finding from our audit of the Fund's annual accounts is outlined in Exhibit 3 with recommendations included in the action plan at Appendix 1.

Exhibit 3
Significant findings from the audit of the annual accounts

Issue	Resolution
1. Bank reconciliation The year-end bank reconciliation was not completed until the end of June 2022 due to the introduction of a new income management system Adelante Smart Pay at the end of February. Reconciling items on the bank reconciliation are in fact invalid and represent mis-statements in the accounts with cash being overstated by £0.5 million. Debtors have been overstated by £0.5 million and creditors overstated by £1 million.	The error is above our reporting threshold but below materiality. No amendments have been made to the audited accounts. Bank reconciliations should be completed and reviewed on a timely basis so that any errors can be identified and resolved timeously. **b/f Recommendation 2** (refer Appendix 1, action plan)

Identified misstatements were unadjusted in the audited accounts, these were below our performance materiality and we did not need to revise our audit approach

28. Net unadjusted misstatements of £0.5 million, identified in Exhibit 3, were below our performance materiality. The valuation timing lag on level 3 investments of £9 million (paragraph 25) remains unadjusted and is also below our performance materiality. We have reviewed the nature and causes of these misstatements and concluded that they rose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. We did not need to revise our audit approach.

29. There were a number of other minor presentational amendments made to the accounts during the course of the audit including improvements to the management commentary and annual governance statement. Analysis of contribution income at Note 6 to the accounts was amended to reflect the correct classification between bodies. Also AVC information received from providers after closedown was included at Note 18 to the accounts.

A number of our prior year recommendations are not yet complete

30. The Fund has made some progress in implementing our prior year audit recommendations with one of the five actions complete and four partially complete. For actions not yet implemented, revised responses and timescales have been agreed with management and are set out in Appendix 1.

2. Financial management and sustainability

Financial management is about financial capacity, sound budgetary processes and whether the control environment is operating effectively. Financial sustainability is about the capacity to meet the current and future needs of pension fund members.

Main messages

Investment returns were positive in 2021/22 and the five year annualised return remained above benchmark.

The Fund's assets represented 88 per cent of promised retirement benefits as at 31 March 2022.

The Fund's investment performance was buoyed by its passive equity mandates and by the performance of other real assets.

There was further progress towards the Fund's strategic asset allocation.

The timeliness and review of reconciliations were again an issue in 2021/22.

Investment returns were positive in 2021/22 and the five year annualised return remained above benchmark

31. The Fund demonstrated an overall investment return for the year was 6.3 percent (29.7 per cent in 2020/21). This was below the annual benchmark return for the Fund of 9 per cent. The five year annualised investment return was 8.8 per cent (down from 11.6 per cent in 2020/21). This was above the Scottish LGPS median five year annualised return of 8 per cent.

32. The Fund's key performance statistics are shown at Exhibit 4.

Exhibit 4
Key statistics 2021/22 – Fife Pension Fund

Increase in net assets	2020 triennial funding position	2022 Assets / liabilities (IAS 19)	Investment performance
£3.531 billion Closing net assets 31 March 2022 6.9% increase	**97%** 2020 triennial funding valuation	**88%** Net assets as a proportion of promised retirement benefits 31 March 2022	**6.3%** Return on investments in 2021/22
£3.303 billion Opening assets 1 April 2021	**93%** 2017 triennial funding valuation	**80%** Net assets as a proportion of promised retirement benefits 31 March 2021	**8.8%** Annualised return on investments over 5 years (benchmark 5.8%)

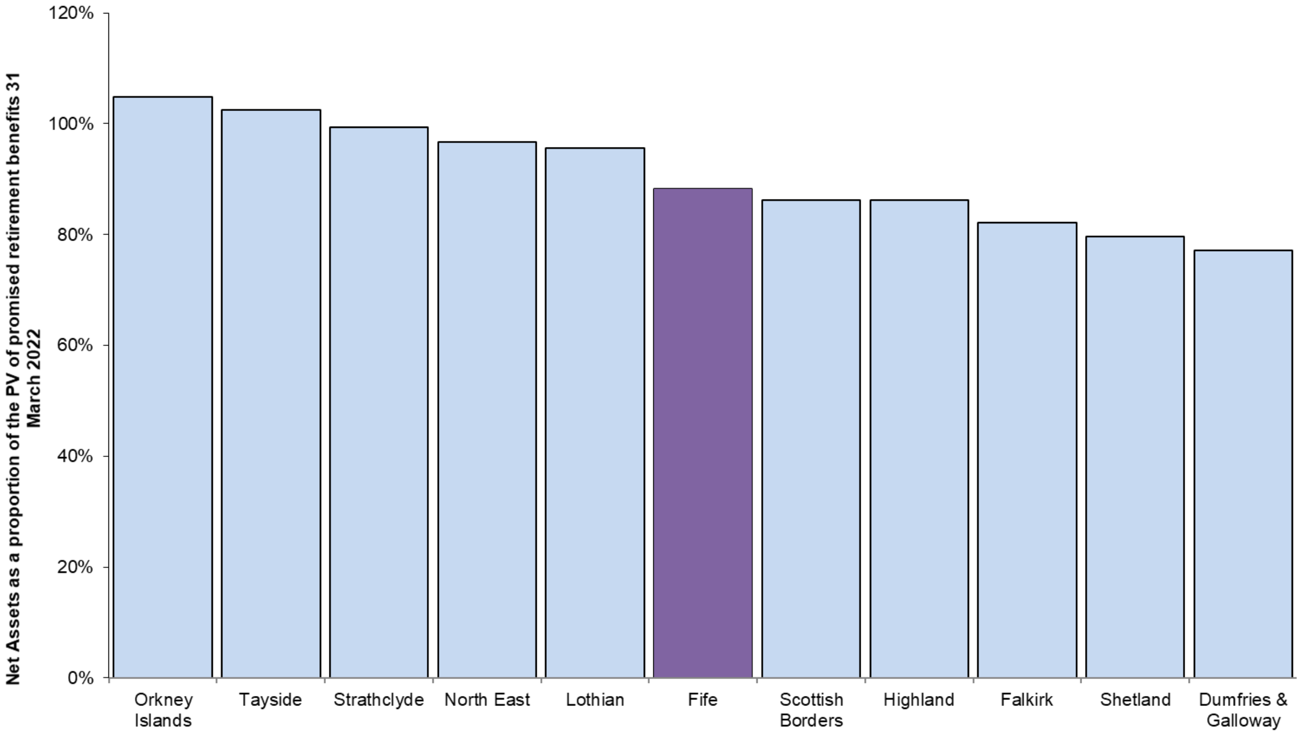
Source: 2021/22 Fife Pension Fund Annual Report and Accounts

The Fund's assets represented 88 per cent of promised retirement benefits as at 31 March 2022

33. Fund assets increased to £3.5 billion in 2021/22 and liabilities valued on an accounting basis reduced slightly to £4 billion. The accounting valuation used in the financial statements is estimated by the Fund's actuary using a high-quality corporate bond rate to discount projected cashflows. The discount rate will typically be lower than the rate used at triennial valuations, leading to a higher estimate of liabilities. Based on this estimate, the Fund's assets represented 88 per cent of promised retirement benefits as at 31 March 2022, which was an increase of 8 percentage points over the year. The comparative position of the Fund is shown at Exhibit 5.

Exhibit 5

Net assets as a proportion of the present value of promised retirement benefits 31 March 2022 - accounting basis – LGPS funds Scotland



Source: Unaudited annual accounts 2021/22

Across Scotland annual investment returns were below benchmark in most cases

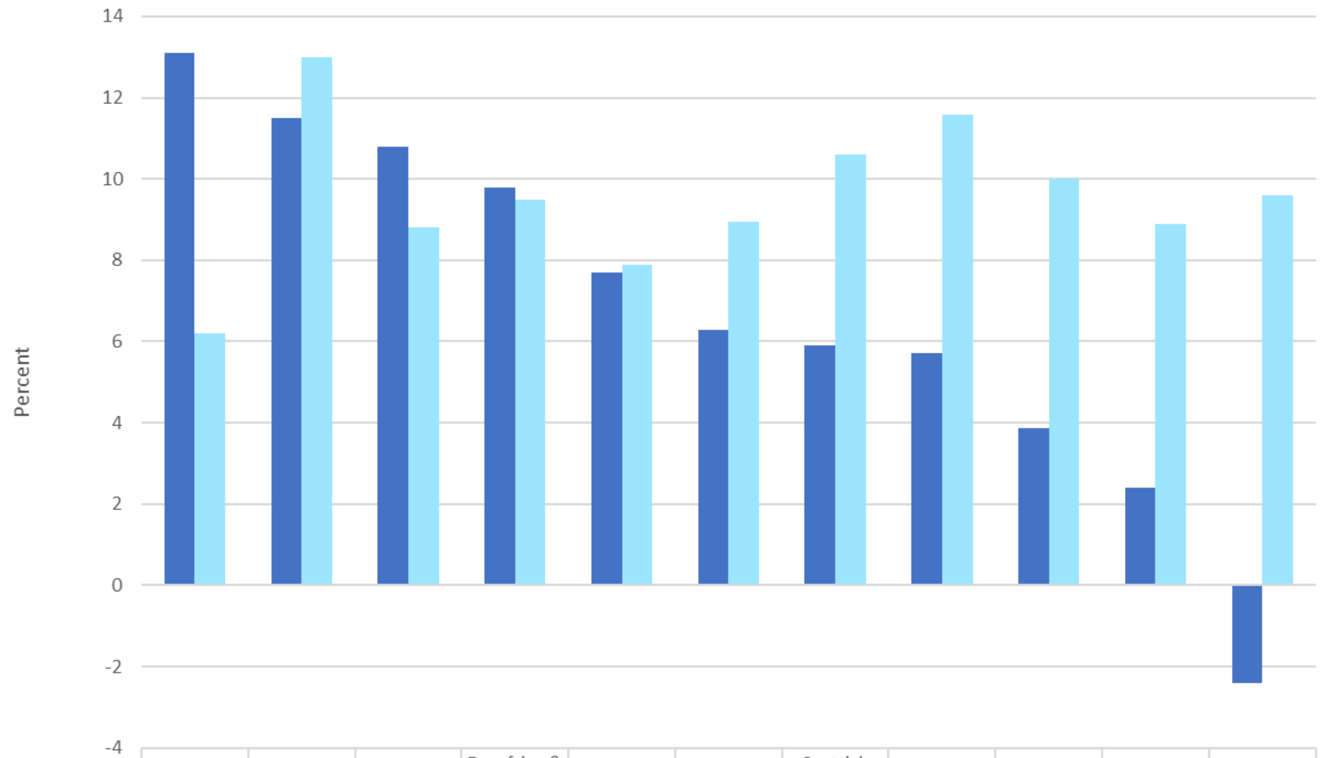
34. Annual investment returns for most LGPS funds in Scotland remained positive, although returns were below benchmark for most funds. Fife's investment returns over three and five years remained above benchmarks.

35. Fund benchmarks and annual returns reflect the investment strategy of each fund. Different funds have different investment strategies and different exposure to market volatility and risk. It is not clear that benchmarks are set consistently across funds, at Fife, for example, some infrastructure funds have a cash benchmark assigned. The reported annual investment returns and benchmarks for all Scottish funds is shown in Exhibit 6.

Exhibit 6

Annual investment returns and benchmarks 2021/22 – LGPS funds Scotland

Actual investment returns were below benchmark for most funds in 2021-22



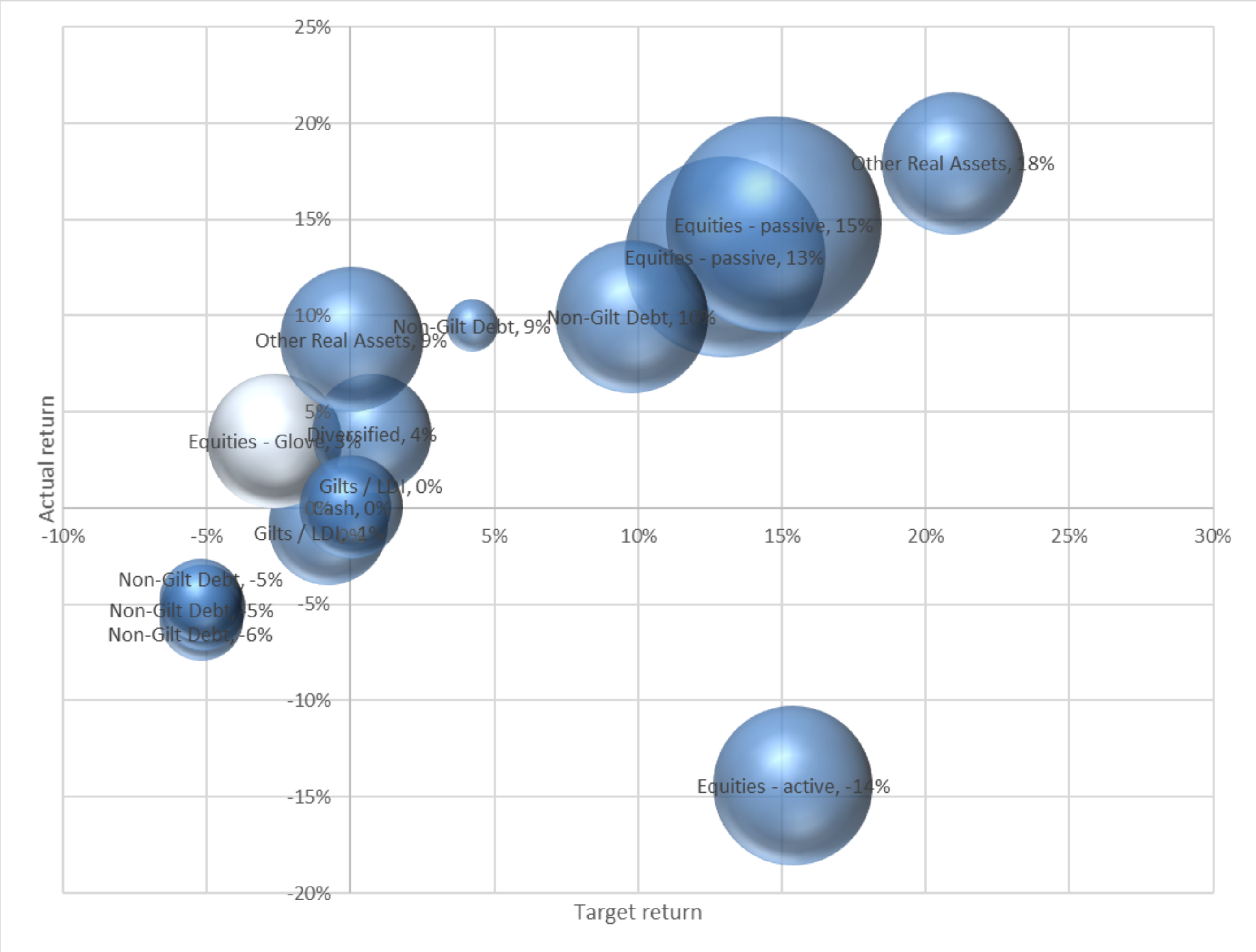
	Falkirk	Shetland	Lothian	Dumfries & Galloway	Strathclyde	Fife	Scottish Borders	Tayside	Highland	North East	Orkney
Return	13.1	11.5	10.8	9.8	7.7	6.3	5.9	5.7	3.9	2.4	-2.4
Benchmark	6.2	13.0	8.8	9.5	7.9	9.0	10.6	11.6	10.0	8.9	9.6

Source: Unaudited annual accounts 2021/22

The Fund’s investment performance was buoyed by its passive equity mandates and by the performance of other real assets

36. Returns on equities generally remained positive in 2021/22 and the Fund’s passive equity mandates delivered double digit returns. There was market volatility towards the end of the year and the Fund’s active equity mandate made a negative return (after a number of very strong years). The Fund’s Other Real Assets mandates made quite strong returns as did one of the non-gilt debt mandates. Investment returns and benchmarks are shown for the Fund’s investment mandates in Exhibit 7.

Exhibit 7
Fife Pension Fund annual investment returns and targets by mandate 2021/22
Annual returns on equities remained positive despite volatility towards the end of the year.



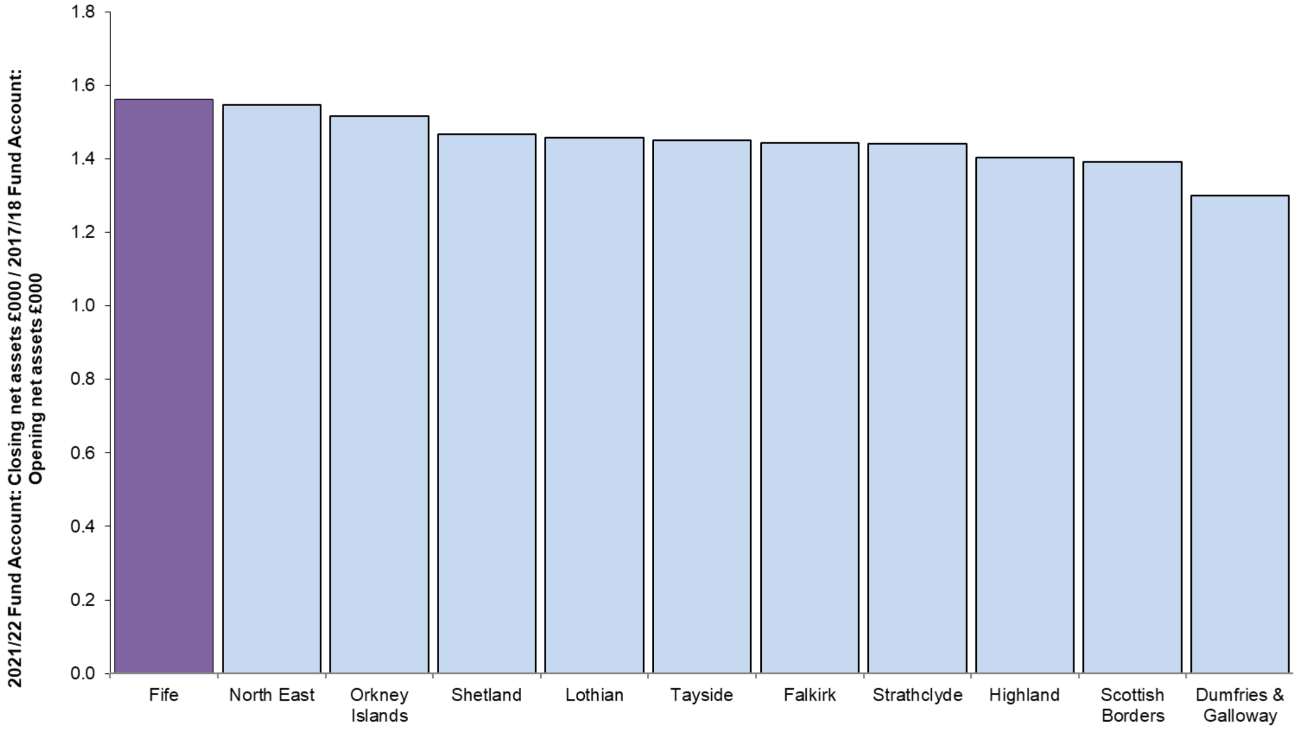
Source: Fife Pension Fund records and reports – not all mandates were in place for the full year e.g. Equities Glove

Fife has seen the largest increase in net assets over the last five years

37. Fife has seen the largest increase in net assets over the last 5 years when compared to other Scottish LGPOS funds (Exhibit 8). This reflects investment returns, contribution rates and benefit payments. Fife has the highest employer contribution rate for any Scottish LGPS fund, at 24.5 per cent for the main employer, and remains cashflow positive in dealings with members.

Exhibit 8
Increase in net assets over five years to 31 March 2022 – LGPS funds Scotland

Increases in net assets reflect investment returns, and cashflows from dealing with members.



Source: Annual Accounts

There was further progress towards the Fund's strategic asset allocation

38. Officers of the council continue to implement the investment strategy and participate in Joint Investment Strategy Panel collaborative arrangement with Lothian Pension Fund and Falkirk Pension Fund. Officers benefit from the support of investment advisors on the panel.

39. In 2021/22 the Fund's officers divested £100 million of equity and £100 million diversified growth investments, where the Fund was overweight against its policy targets. Investments were made in the Liability Driven Investments (LDI formerly referred to as Gilts) and Real Assets policy groups.

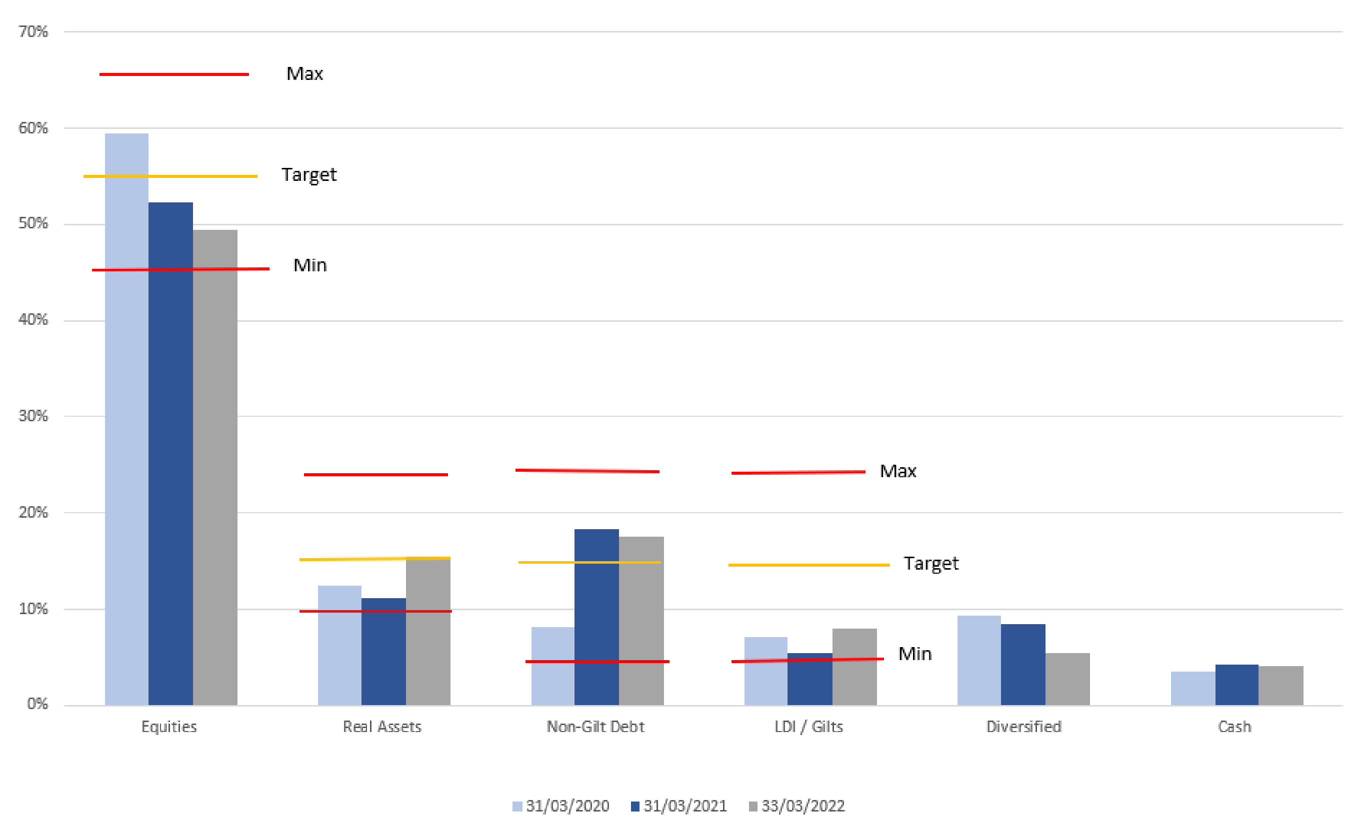
40. Real asset investments were made in collaboration with Lothian Pension Fund and other LGPS partners. The Fund's Global Low Volatility Equity mandate has now moved to Lothian's investment arm LPFI, which is accredited by the FCA.

41. The Fund's closing asset allocations, together with the allocations from the previous two years, are shown against the ranges in the latest investment strategy in Exhibit 9.

Exhibit 9

Asset allocation and strategy ranges by policy group 31 March 2020, 2021 and 2022

The Fund divested equities and diversified growth and invested in LDI and real assets in 2021/22.



Source: Annual Report and Accounts – the diversified asset category also includes equity investments – Cash excludes some balances held by investment managers awaiting investment - The asset allocation targets and ranges are from the investment strategy approved 29 June 2021.

42. Against the ranges in the revised Investment Strategy, approved 29 June 2021, the fund was within limits but below target for equities and LDI and above target for Non-Gilt Debt. However, the position is complicated by the Diversified Growth mandate which includes investments across a number of policy groups.

43. We understand there has been further movements between policy groups and towards strategic asset allocations since the year end. Allocations are also impacted by market volatility.

The Government Actuaries Department reviewed the 2020 triennial valuation process and will report on any issues

44. The Government Actuaries Department (GAD), on behalf of the Scottish Ministers, are currently undertaking their review of the 2020 triennial revaluation under section 13 of the Public Service Pensions Act 2013. The review covers the consistency with which actuaries have undertaken valuations and their compliance with regulations. It also looks at the solvency and long-term efficiency of the funds.

45. Whilst GAD have yet to formally report their findings we understand that they have provided an update to the Scottish Scheme Advisory Board and that there were no significant issues arising.

The cost sharing mechanism was not triggered in 2017 and HMT intend increasing the corridor to +/-3 per cent from 2020

46. The Public Service Pensions Act 2013 introduced a cost sharing mechanism for public sector pension schemes. GAD calculated the employer cost cap to be 15.2 per cent of pay and within the terms of the scheme any movement in the cost of current service out with a 2 per cent corridor up or down from this baseline in 2017 would have triggered a review of contributions or benefits.

47. The cost sharing mechanism was paused for a period pending the consideration of the McCloud ruling. In June 2022 GAD published the results of the review of the ‘cost cap cost’ following the 2017 triennial valuation. Employer costs had risen by 0.2 per cent so no review of benefits or contributions was triggered.

48. In 2021 HMT consulted on changes to the cost cap mechanism and plan to go ahead with proposed changes to the cost sharing mechanism for 2020 valuations:

- To remove any allowance for legacy schemes in the mechanism so it only considers past and future service in the reformed scheme.
- Widening of the cost corridor from +/-2 per cent to +/-3 per cent.
- Introduction of an ‘economic check’ requiring consideration of long-term economic assumptions prior to any triggering of the mechanism.

The timeliness and review of reconciliations were again an issue in 2021/22

49. We reported issues with the timeliness and review of reconciliations in 2020/21. We found similar issues in 2021/22. Timely completion and review of reconciliations is an essential part of the internal control framework for the Fund and an increased effort is needed to address the weaknesses in this area. We bring forward our previous recommendation as outstanding at Appendix 1. We concluded that overall, key controls were operating effectively at year end and reconciliations were completed in time for our audit.

3. Governance, transparency and best value

The effectiveness of scrutiny and oversight and the transparent reporting of information. Using resources effectively and continually improving services.

Main messages

There have been further improvements in governance.

Transparency around JISP activity has improved.

Members struggled to comply with the minimum requirements of the training policy in 2021/22.

Administration and oversight unit costs were slightly higher than those of other similar size funds in Scotland.

There have been further improvements in governance

50. There have been further improvements in governance in 2021/22 with the appointment of an Independent Professional Observer (IPO) to support the Pension Committee and Pensions Board. The arrangement appears to be working well with the IPO making useful contributions to meetings.

51. There is an officer governance group that meets ahead of the Pension Committee and Pension Board on a quarterly basis and deals with much of the routine governance associated with the administration of the pension fund.

52. The risk register is now reported to the Pensions Committee on a quarterly basis and there is a clear commitment to bring more reports on routine governance to the committee and board meetings going forward.

Transparency around JISP activity has improved

53. The investment strategy is set by the Pensions Committee with the delivery delegated to officers, drawing on the advice from the Joint Investment Strategy Panel (JISP) and officers from Lothian Pension Fund Investments.

54. Governance around delivery of the strategy and reporting on the JISP was set out in the Statement of Investment Principles report in September 2022. In line with the approved shared services agreement there is annual reporting on JISP activity and minutes of the quarterly meetings are shared with the Convenor of the committee and the Fund's IPO. The IPO can attend the JISP once each year.

55. Over the course of our audit appointment there have been a number of questions from members of the pension board about the transparency around JISP activity. We have observed an increased level of reporting and we understand that more information will be included in quarterly investment updates going forward.

Members struggled to comply with the minimum requirements of the training policy in 2021/22

56. A training policy was approved in May 2019 and a training needs assessment undertaken in 2020. Internal Audit undertook a review in 2021 reporting that there had been delays in tailoring the training programme to the needs assessment due to Covid-19. In 2021/22 members struggled to attend sufficient training to fulfil the requirement for 14 hours a year set out in the policy.

57. The local elections in May 2022 have resulted in turnover of membership for both the pensions committee and pensions board. The updated policy requires new members to attend induction training before taking up roles and induction training was provided on 23 June 2022. The policy also requires new members to complete the Pensions Regulator online training by the end of 2022.

58. A new training needs assessment has recently been carried out to enable future training to be tailored to the needs of new members. Details of member training completed is reported annually to committee.

The pensions administration strategy has been approved following a review of the administration function

59. The Fund has a pensions administration strategy and performance is reported to committee on a quarterly basis. Performance indicators and targets are kept under review. The administration strategy was approved by the Pension Committee for the first time in September 2022.

60. The new strategy includes more clarity on respective roles and responsibilities of the administrating authority and employer bodies and includes details of penalties for non-compliance with administration requirements on the part of employers.

61. The quarterly administration reports provide the Pensions Committee and Pensions Board with updates on progress with challenges such as the council's new payroll system, McCloud data requirements, and new regulations affecting the administration of pensions. Reports have also provided details of staff training and development to help reduce key person dependency, and details of compliance with regulatory requirements for benefits statements.

62. Internal Audit undertook a performance management review of the administration team in 2021 and Hymans Robertson were also commissioned to review the function.

The availability of member benefits statements is only notified electronically

63. The pensions regulations require funds to provide member benefit statements by 31 August each year. Fife notifies members by email that benefits statements are available online as part of online member services. In 2021 the Fund was able to issue all but 52 benefit statements on time. This was not considered a significant breach.

64. It is not clear whether the Fund has a responsibility to notify availability of member benefit statements by letter where email addresses are not held.

Recommendation 1

Consider the need to notify the availability of member benefit statements by letter where email addresses are not held.

There is a clear commitment to cost transparency along with ongoing benchmarking of investment management costs

65. The Fund remains committed to cost transparency and the benchmarking of investment management costs and expenses. CEM were commissioned again to benchmark costs (2020/21 costs were the latest available).

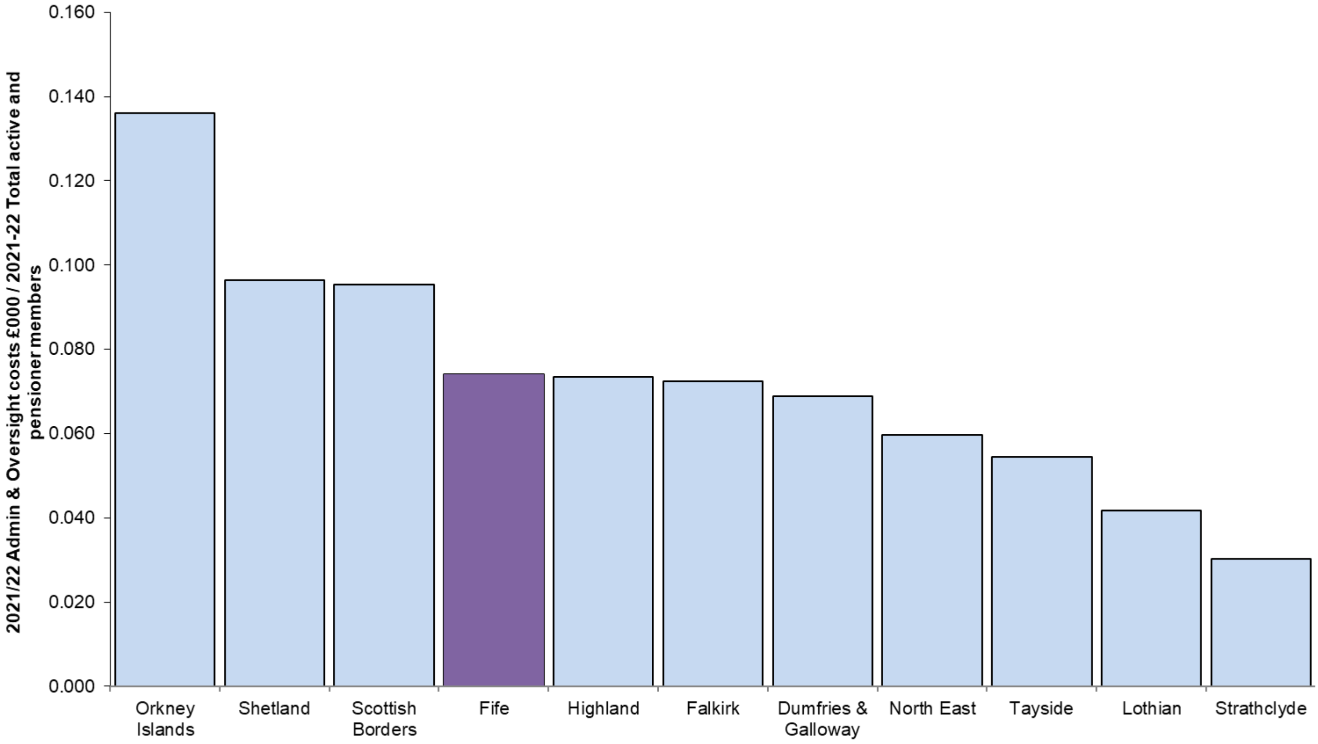
66. The report identified that the Fund's costs were higher than the peer group but that returns remained above median for LGPS peers. Costs were higher due to the 'implementation style' which includes use of fund of fund structures, for example. The report identifies that investment management costs have fallen since 2015.

67. We know from investment updates that the Fund continues to explore ways to reduce costs further through ongoing review of investment manager performance and reorganisation of mandates where appropriate.

Administration and oversight unit costs were slightly higher than those of other similar size funds in Scotland

68. The total cost of administration and oversight disclosed in the accounts for 2021/22 is £2.3 million. This includes the cost of the pensions team, central support costs and actuarial fees, for example. This equates to around £74 for each active and pensioner member at Fife which is slightly higher than unit costs for similar sized Scottish funds (Exhibit 10).

Exhibit 10
Administration and oversight unit costs per active and pensioner member 2021/22



Source: Unaudited annual accounts 2021/22

McCloud will continue to impact on administration and require additional data from employers

69. The McCloud remedy extends protections offered when the LGPS changed in 2015 to a greater number of members. This will result in some members receiving higher benefits when the regulations are changed to accommodate the remedy. Administratively the Fund continues to work with employers to obtain additional information required for calculations where there has been part time working and breaks in member service. Reports showing exceptions have been sent to employers. Revised regulations implementing the remedy are expected before the end of 2022.

The LGPS structural review has been paused

70. The Scottish Local Government Scheme Advisory Board has appointed a Strategic Programme Manager for a review of the structure of the Scottish LGPS. This review started in 2016 and is currently paused. We understand that the programme manager is planning a stakeholder workshop to explore where the review goes from here.

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. During 2021/22, we published reports which may be of interest to the Fund. These are outlined in Appendix 2 accompanying this report.

Appendix 1

Action plan 2021/22

2021/22 and prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
1. Member benefit statements notifications Fife notifies members by email that benefits statements are available online. It is not clear whether the Fund has a responsibility to notify availability of member benefit statements by letter where email addresses are not held.	Consider the need to notify the availability of member benefit statements by letter where email addresses are not held.	Members for whom no email addresses are held will be notified by letter in 2023. Head of Finance 31 August 2023
b/f 1. Lump Sum accruals	Ensure that appropriate accruals for lump sums are made.	**Ongoing** Lump sum estimates have again been omitted from 2021/22 accounts. These were estimated at £200,000. Further review required as part of 2022/23 closedown. Finance Operations Manager 31 March 2023
b/f 2. Reconciliations	Ensure that all key reconciliations are undertaken and reviewed on a timely basis.	**Ongoing** Completion and review of reconciliations will be undertaken on a timely basis. Service Manager / Finance Operations Manager 31 March 2023
b/f 3. Administration costs	Consider the inclusion of unit costs for administration in	**Ongoing**

Issue/risk	Recommendation	Agreed management action/timing
	budget monitoring and administration reports.	Consideration as part of the ongoing KPIs review. Finance Operations Manager 31 March 2023
b/f 4. Investment fair value hierarchy	As part of the accounts preparation process, ensure that custodian classification of new investments is consistent with that of the investment manager.	**Complete**
b/f 5. Service organisation control reports and complementary user entity controls	Include the review of service organisation control reports and complementary user entity controls specified by the custodian as part of the governance assurance framework.	**Ongoing** Service organisation control arrangements to be outlined in the Annual Governance Statement for 2022/23. Finance Operations Manager 30 June 2023.

Appendix 2

Summary of national performance reports and briefings 2021/22

May

Local government in Scotland Overview 2021

June

Covid 19: Personal protective equipment

July

Community justice: Sustainable alternatives to custody

September

Covid 19: Vaccination programme

January

Planning for skills

Social care briefing

February

NHS in Scotland 2021

March

Local government in Scotland: Financial Overview 20/21

Drug and alcohol: An update

Scotland’s economy: Supporting businesses through the Covid 19 pandemic

Fife Pension Fund

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