

REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 23 SEPTEMBER 2024

REPORT ON: TAYSIDE PENSION FUND 2023/2024 ACCOUNTS AND AUDIT

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 271-2024

1. PURPOSE OF REPORT

To report on the outcome of the external audit of Tayside Pension Fund for the year to 31 March 2024. A copy of the External Auditor's Annual Audit Report (Report No 273-2024) and the Draft Audited Annual Report and Accounts 2023/2024 for the Tayside Pension Fund (Report No 272-2024) are also to be considered.

2. RECOMMENDATIONS

It is recommended that the Committee notes the contents of External Auditor's Annual Audit Report, in particular that Audit Scotland anticipate issuing an unqualified audit opinion.

3. FINANCIAL IMPLICATIONS

None.

4. MAIN TEXT

4.1 Introduction

External audit is one of the key methods by which the activities and performance of local government are independently scrutinised and reported upon. The external audit of Tayside Pension Fund for the financial year 2023/2024 was carried out by Rachel Browne, Audit Director, Audit Services, Audit Scotland. The Auditor General for Scotland and the Accounts Commission for Scotland appointed Audit Scotland for a five-year period, 2023/24 being the second year of the new appointment.

The 2023/2024 Unaudited Statement of Accounts was circulated to elected members and to Audit Scotland on 24 June 2024, in line with the statutory deadline. The Accounts have been subject to a three-week statutory public inspection period and no objections were received.

4.2 External Auditor's Annual Audit Report

Audit Scotland have now completed their audit work and, in accordance with auditing standards (ISA 260), they are now required to report the outcome of their work in relation to the financial statements. This requirement is addressed via their Annual Audit Report. The report is divided into the following five key areas:

- Audit of 2023/2024 annual accounts
- Financial Management
- Financial Sustainability
- Vision, Leadership and Governance
- Use of resources to improve outcomes

4.3 Conclusions

The External Auditor has undertaken a thorough and wide-ranging review of the financial statements and the processes and procedures around their preparation. Their audit of the annual accounts confirms that the financial statements provide a true and fair view and were properly prepared. The management commentary, annual governance statement and

governance compliance statement were all consistent with the financial statements and properly prepared.

The audit highlighted that the value of the Fund increased by 14 per cent to £5.5 billion during 2023/24 with overall investment performance outperforming the benchmark return set for the year. Indeed, the Fund was the second best performing Scottish Fund in 2023/24 and the only Fund to outperform its benchmark for the year.

In respect of financial sustainability, there are no concerns over the arrangements in this area. The results of the 2023 full triennial valuation of the Tayside Pension Fund showed a marginally improved position with a funding level of 110 per cent. This enabled the Fund to reduce the employers' common contribution rate to 15.7 per cent for the period 2024-2027. Based on a funding position of this level and the healthy net asset position at 31 March 2024, the audit concluded there are no concerns about the financial sustainability of the Fund or the viability of the current funding strategy.

The Fund has made reasonable progress in diversifying its investment portfolio to reflect the investment strategy asset allocation approved after the 2020 triennial valuation and increased its proportion of alternative investments from 0.2 per cent to 4.7 per cent during 2023/24.

In terms of vision, leadership and governance the audit confirmed that the Fund has appropriate arrangements in place to support good governance and accountability, and scrutiny of decision-making. The Fund conducts its business in an open and transparent manner.

Finally, whilst the audit considers that appropriate arrangements are in place to secure best value it is noted that the number of pension administration cases increased during 2023/24 and the average time to process these doubled. This was partly as result of the increase in number of cases and additional workload and administrative impact of implementing the McCloud remedy. The administrative capacity will be reviewed during 2024/25 in light of this and this is noted within the recommendations of the auditor's report.

5. POLICY IMPLICATIONS

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

6. CONSULTATIONS

The Chief Executive and Head of Democratic and Legal Services has been consulted on the content of this report.

7. BACKGROUND PAPERS

None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

13 SEPTEMBER 2024