
PENSION FUND ANNUAL GOVERNANCE STATEMENT 2014/15

Report by Chief Financial Officer

AUDIT & RISK COMMITTEE

11 May 2015

1 PURPOSE AND SUMMARY

- 1.1 This report proposes that the Audit & Risk Committee considers and approves the Pension Fund Annual Governance Statement that will be published in the Statement of Accounts 2014/15 of Scottish Borders Council Pension Fund.**
- 1.2 The Local Government Pension Scheme (Scotland) Regulations 2014 require Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via a number of best practice principles.
- 1.3 Part of the Audit & Risk Committee's remit is to assess the effectiveness of internal controls, risk management, and governance arrangements in place for the Scottish Borders Council Pension Fund and this includes being satisfied that the Pension Fund Annual Governance Statement demonstrates compliance with its governance policy and best practice principles and identifies any actions required to improve governance arrangements.
- 1.4 The Pension Fund Annual Governance Statement 2014/15 details the Governance Framework including the key elements of the Pension Fund's governance arrangements and the Review Framework, as shown in Appendix 1.
- 1.5 In terms of overall corporate governance it is the Chief Financial Officer's opinion that the overall governance arrangements of the Pension Fund are considered sound. The Annual Governance Statement is informed by the self-assessment of the Fund's compliance with the best practice principles, the work of professional accountancy staff, and the work of internal audit, external audit and inspection agencies. Improvement actions are identified. This statement will be published in the Pension Fund Annual Report and Accounts for the year to 31 March 2015.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit & Risk Committee considers the details of the Pension Fund Annual Governance Statement at Appendix 1, and approves the actions identified by Management to further improve internal controls and governance arrangements.**

3 BACKGROUND

- 3.1 The Local Government Pension Scheme (Scotland) Regulations 2014 require Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via a number of best practice principles.
- 3.2 Part of the Audit & Risk Committee's remit is to assess the effectiveness of internal controls, risk management, and governance arrangements in place for the Scottish Borders Council Pension Fund and this includes being satisfied that the Pension Fund Annual Governance Statement demonstrates compliance with its governance policy and best practice principles and identifies any actions required to improve governance arrangements.

4 PENSION FUND ANNUAL GOVERNANCE STATEMENT

- 4.1 The Pension Fund Annual Governance Statement 2014/15 details the Governance Framework including the key elements of the Pension Fund's governance arrangements, which is shown in Appendix 1. It also sets out the Review Framework outlining the annual review process to assess the Fund's compliance with its Governance Policy and the best practice principles, overall opinion and areas of further improvement.
- 4.2 In terms of overall corporate governance it is the Chief Financial Officer's opinion that the overall governance arrangements of the Pension Fund are considered sound. The Annual Governance Statement is informed by the self-assessment of the Fund's compliance with the best practice principles, the work of professional accountancy staff, and the work of internal audit, external audit and inspection agencies. The annual review demonstrates sufficient evidence that the Pension Fund's Governance Policy is operating effectively and that the Pension Fund fully complies with the best practice principles. Improvement actions are identified. This statement will be published in the Pension Fund Annual Report and Accounts for the year to 31 March 2015.

5 IMPLICATIONS

5.1 Financial

- (a) There are no direct financial implications arising from this report.

5.2 Risk and Mitigations

- (a) The Pension Fund Annual Governance Statement details areas where additional work would further enhance the internal control environment, risk management, and corporate governance arrangements. Implementing this work will ensure that internal controls, risk management, and other governance arrangements remain sound.

5.3 Equalities

- (a) It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religious/belief arising from the work contained in this report.

5.4 Acting Sustainably

- (a) There are no direct economic, social or environmental issues with this report.

5.5 Carbon Management

- (a) There are no direct carbon emissions impacts as a result of this report.

5.6 Rural Proofing

- (a) This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

5.7 Changes to Scheme of Administration or Scheme of Delegation

- (a) No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council are being consulted on the report and any comments received will be reported at the meeting.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk Tel: 01835 825036

Background Papers: Local Government Pension Scheme (Administration) (Scotland) Regulations 2008

Previous Minute Reference:

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Jill Stacey, Chief Executive's Directorate can also give information on other language translations as well as providing additional copies.

Contact us at Jill Stacey, Chief Executive's Directorate, Scottish Borders Council, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA
Tel: 01835 825036 jstacey@scotborders.gov.uk

Scottish Borders Council Pension Fund Annual Governance Statement 2014/15

Introduction

The Local Government Pension Scheme (Scotland) Regulations 2014 require Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via a number of best practice principles.

The Governance Framework

The key document summarising the governance arrangements for the Pension Fund is the Governance Policy which is contained in Annex 1, and also available on the website www.scotborders.gov.uk/pensions. The Pension Fund Governance Policy provides the framework against which compliance is measured.

The key elements of the Pension Fund's governance arrangements include:

- Scottish Borders Council is the Administering Authority for the Local Government Pension Scheme set up for the Scottish Borders geographic area.
- The Council has delegated its pension's functions to the Pension Fund Committee. The members of the Committee act as quasi-trustees and oversee the management of the Scottish Borders Council Pension Fund.
- The Pension Fund appoints professional advisers and external service providers.
- The system of internal financial control operates within a financial strategy and is based on a framework of delegation and accountability for officers and elected members embodied in procedural standing orders, financial regulations, scheme of delegation, scheme of administration, supported by a framework of administrative procedures including the segregation of duties, and regular financial management information. In particular, the system includes comprehensive accounting systems that record income and expenditure for both member and investment activities, regular reviews of investment reports that measure investment returns against agreed benchmarks, regular reviews of investment manager reports that measure performance against agreed targets, and independent performance reviews of the Fund by the Fund's investment consultant and performance monitoring services provider.
- The Chief Financial Officer (Section 95 officer) for the Council is responsible for ensuring the proper administration of the financial affairs of the Pension Fund. This includes ensuring appropriate advice is given to the Pension Fund on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control.
- The Chief Officer HR for the Council is responsible for the pension benefit policy oversight and day-to-day administration of member benefits in accordance with statutory legislation.
- The Chief Officer Audit & Risk (Head of Internal Audit (HIA)) reports administratively to the Service Director Strategy & Policy, reports functionally to the Audit & Risk Committee, meets regularly with the Chief Financial Officer, and has direct access to the Corporate Management Team. The HIA reports in her own name and retains final edit rights over all internal audit reports and provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance based on the delivery of an approved plan of systematic and continuous internal audit review of the Council's arrangements.
- The Pension Fund responds to findings and recommendations of external audit, scrutiny and inspection bodies and its own independent internal audit section. The Audit & Risk Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

Review of Framework

The Council as Administering Authority of the Pension Fund conducts an annual review of the effectiveness of its overall governance framework which is presented to the Audit & Risk Committee whose role includes high level oversight of the Pension Fund's governance, risk management, and internal control arrangements.

The review is informed by the work of an officer assessment of the Fund's compliance with the best practice principles.

The review of the effectiveness of the system of internal financial control is informed by the work of professional accountancy staff within the Council, the assurances from the Chief Officer Audit & Risk's annual internal audit opinion and report on the work internal audit, and by the external auditors' reports.

The conclusion from the review activity outlined above is that in 2014/15 the Pension Fund continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective.

The review has however identified some areas where further improvements in internal controls and governance arrangements can be made:

- a) The ongoing implementation of recommendations made by Internal Audit and External Audit, with particular emphasis on prompt implementation of high priority recommendations.
- b) Development of a communications plan to improve awareness and understanding of stakeholders and encourage maximum membership of the Fund.
- c) Development of a business plan to improve planning and monitoring of the performance of the Fund.
- d) Implementation of new governance arrangements in response to reforms including committee structure, review of pensions' administration strategy, and training policy.
- e) Work to fully evaluate the implications of new national policy on freedom of choice of pension sums.

Certification

It is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Scottish Borders Council Pension Fund's systems of internal control and governance. Although areas for further improvement have been identified the annual review demonstrates sufficient evidence that the Pension Fund's Governance Policy is operating effectively and that the Pension Fund fully complies with the best practice principles.

Signed
David Robertson CPFA
Chief Financial Officer
xx 2015