

REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 23 JUNE 2025

REPORT ON: TAYSIDE PENSION FUND INTERNAL AUDIT REPORTS – INVESTMENT STRATEGY REVIEW

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 169-2025

1 PURPOSE OF REPORT

To submit audit report prepared by the Fund's Internal Auditor, Pricewaterhouse Coopers (PwC).

2 RECOMMENDATIONS

Members are asked to note the content of the report on the audit review undertaken, and to approve the management response.

3 FINANCIAL IMPLICATIONS

None.

4 MAIN TEXT

- 4.1 The report details the review undertaken that reviewed the key controls and governance in relation to advising and setting the Fund's investment strategy and gives insight into good practice. PwC have provided an overall rating of this area as 'Satisfactory with Exceptions' driven by three medium-rated and two low-rated findings.

The following areas of good practice were identified:

- There is suitable input from multiple parties when making decisions and reviewing the Fund's performance.
- There is strong governance in place in terms of the Sub Committee, the Pensions Board and the regularity of meetings and the Terms of Reference that must be followed.
- There is regular reporting, including independent reporting from the custodian on a regular basis.
- There is good involvement between the Officers and the day to day running of the investments.

Further details are included in Appendix A of this report.

- 4.2 The findings and recommendations of the audit have been discussed with management and responses are contained within the report. The implementation of the agreed management actions will be monitored, with progress being reported to the Sub-Committee in due course.

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 and agree with the contents.

7 BACKGROUND PAPERS

None

**PAUL THOMSON
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

25 JUNE 2025

Internal audit report 2024/25

Investments Strategy & Objectives Review

Tayside Pension Fund (“TPF”)

May 2025



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Distribution list

For action:
Stuart Norrie (Senior Banking & Investment Officer)
Tracey Russell (Service Manager - Financial Services)



Executive summary

Report classification



Satisfactory with exceptions

Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	-	-	3	2	-
Operating effectiveness	-	-	-	-	-
Total	-	-	3	2	-

Background

An effective investment strategy setting process is essential for ensuring that the Fund meets its long-term objectives — namely, paying benefits to members and maintaining stability in employer contributions. As TPF is administered in accordance with the Local Government Pension Scheme (LGPS) Regulations, it must ensure that investment decisions are made prudently, transparently, and in the best financial interests of scheme members. While the investment advisor (Isio) provides strategic recommendations following each valuation, it is vital that TPF retains ownership and oversight of the strategy-setting process. This involves:

- Clearly defining how the Fund's investment objectives are aligned to its funding position and liability profile.
- Documenting the roles and responsibilities of all parties involved, including advisors, officers, and governance bodies.
- Ensuring the strategy-setting process is transparent, repeatable, and robustly challenged, to support sound decision-making and regulatory accountability.

With regards to investment governance, strong governance ensures that the structures, policies, and procedures supporting investment decisions are clear, well-documented, and effective. For TPF, this is not only a matter of good practice but also a regulatory requirement under the LGPS framework and the Pensions Regulator's General Code. Effective governance supports:

- Clear delegation and accountability, so that the right people are making the right decisions at the right time.
- Robust challenge and oversight of external advisors like Isio, ensuring that proposals are properly tested against the Fund's objectives and risk appetite.
- Transparency and defensibility of decisions, providing confidence to stakeholders including employers, members, auditors, and regulators.
- Regularly reviewing performance to ensure alignment with funding objectives.

Summary

The overall rating of this report is Satisfactory with exceptions, driven by three 'medium' and two 'low' rated findings. The scope of this review and our findings are summarised in the table below. Full details, alongside agreed actions from management are within the body of the report.

Executive summary

Summary of findings

Scope		Summary of findings
Investment Strategy Setting	<ul style="list-style-type: none"> TPF would benefit from having a defined framework in place for setting the investment strategy, objectives and asset allocations. This would formalise the strategy setting process after each valuation cycle. TPF have a Statement of Investment Principles (SIP) that they update annually that acts as their strategy document, setting out policies, beliefs and investment arrangements. TPF does have a Risk policy and Strategy and a Funding Strategy Statement (FSS) which sets out the purpose and aims of the Fund which are used by Isio when setting the investment strategy. Appropriate input from TPF, external advisors and wider stakeholders is considered. TPF do not explicitly set the relevant factors but the result of the actuarial valuation will be used to guide Isio's direction of thinking. When reviewing the strategy, Isio do consider the March 2024 Funding Strategy. TPF also communicate their views on ESG and their investment beliefs and the SIP is a publicly available document that Isio can use as a reference for the strategy of the Fund TPF has established clear performance metrics for the investment strategy, including reporting on these. These are primarily on an asset basis rather than versus the liabilities. The investment strategy is reviewed at appropriate intervals but could be better documented. 	<p>Finding 3: Formalise the Investment Strategy Process (Medium Priority): There is a clear opportunity to enhance the governance and transparency of the Fund's investment strategy by developing a formal, documented process for its setting, implementation, and monitoring. Areas where further clarity and structure could add value include:</p> <ul style="list-style-type: none"> Defining roles and responsibilities to support accountability and collaboration. Introducing procedural guidance to ensure consistency and alignment with strategic objectives. Documenting review and challenge mechanisms by TPF to reinforce oversight and continuous improvement. <p>Establishing a clear framework in these areas would help strengthen confidence in the Fund's strategic approach and support more effective decision-making over time.</p> <p>Finding 5: Enhance Benchmark Transparency in the SIP (Low): The Fund regularly reports performance against asset benchmarks, which supports ongoing monitoring. This would be further strengthened by incorporating reference to the Fund's liability benchmark (CPI + 1.6%) within regular reporting. Additionally, providing a clearer explanation in the SIP (or supporting documents) of the rationale behind the selection of benchmarks would enhance transparency and stakeholder understanding. Improving clarity in these areas would:</p> <ul style="list-style-type: none"> Support alignment between performance monitoring and long-term funding objectives. Enable early identification of potential underperformance relative to key benchmarks. Facilitate timely and informed decision-making where corrective action may be needed. <p>These enhancements would contribute to a more robust and transparent performance framework, aligned with the Fund's strategic goals.</p>
Monitoring and oversight	<ul style="list-style-type: none"> There is timely and relevant reporting in place from Fund Managers and the Custodian to TPF which allows the monitoring of the Fund's performance to be monitored at suitable intervals. TPF has in place an appropriate escalation process of issues and information reported to the relevant Committees by TPF Officers on a quarterly basis and ad hoc, if required. 	<p>Finding 4: Enhancements required to quarterly reporting (Low)- Whilst there is regular performance reporting, the current Investment performance could use some enhancements to bring together the quantitative data with qualitative oversight and commentary, highlighting key updates and risks to performance on a regular basis.</p>

Executive summary

Summary of findings

Scope	Summary of findings
<p>Investment Governance</p> <ul style="list-style-type: none"> Although TPF would benefit from a formal governance process for setting investment strategy, it is noted that it does use a number of parties and inputs to set the strategy. There is translation of the strategy into internal and legal documentation and in terms of reporting, meeting documents and manager agreements. Roles and responsibilities are clearly defined and documented. There could be better documentation around the approval of the strategy and the relationship between TPF and Fund Managers. The working relationship between TPF and Fund Managers is collaborative. There is a conflicts of interest policy in place to manage risks. There is some process in place for the Committee to monitor breaches however this is largely based on annual reviews carried out both internally and externally of advisors and managers. There could be a clearer, more documented approach to resolution of any issues with Fund Manager delivery/performance. Committee approval of any actions that breach provisions in the AMA's are clearly documented. Committee has sight of all FCA regulatory investment reports and publicly available investment reports before publication, on request. The Governance and Terms of Reference for the Committee are set in regulations and was last published on 28 March 2025. The Committee has sufficient competence to make the investment decisions required and undertakes regular training. Operation of the investment related Committees is effective and roles and responsibilities are clearly defined. Minutes at these meetings are recorded. Investment risks are considered, monitored and recorded. 	<p>Finding 2: Formalise Investment Manager Oversight Framework (Medium): While quarterly meetings with investment managers are reported to take place, there is an opportunity to enhance consistency and effectiveness by developing a formal oversight framework.</p> <p>Introducing a structured and documented approach would help:</p> <ul style="list-style-type: none"> Clarify expectations around review frequency and engagement. Define assessment criteria to support objective evaluation of manager performance. Strengthen governance through clear escalation procedures and relationship management protocols. <p>Establishing this framework would promote a more consistent and transparent oversight process, helping to proactively identify and address any emerging issues while reinforcing accountability and alignment with the Fund's objectives.</p> <p>Finding 1: Establish a Formal Asset Transition Framework (Medium): Asset transitions are currently managed by third-party providers such as Northern Trust or LGIM, and while these transitions are being executed, there is an opportunity to strengthen internal oversight by developing a formal, documented framework.</p> <p>Introducing a structured process would help:</p> <ul style="list-style-type: none"> Clarify roles and responsibilities across all parties involved. Outline procedures for planning, execution, sign-off, and reporting. Enhance oversight and risk management during high-impact transition events.

Areas of good practice

The following areas of good practice were identified:

- There is suitable input from multiple parties when making decisions and reviewing the Fund's performance.
- There is strong governance in place in terms of the Sub Committee, the Pensions Board and the regularity of meetings and the Terms of Reference that must be followed.
- There is regular reporting, including independent reporting from the custodian on a regular basis.
- There is good involvement between the Officers and the day to day running of the investments.

Current year findings

1 Framework for asset transition process

Control Design

Finding rating

Impact	5
Likelihood	iii
Rating	Medium

Finding and root cause

TPF does not have a formalised documented process that sets out how asset transitions and implementation are carried out with roles, responsibilities, processes and documentation required. We were informed that rebalancing activity and implementation of strategies is done through the custodian, Northern Trust, or by appointing an external transition manager, e.g LGIM. Whilst this limits, to some extent, the risk of the transition as it is carried out by a Third Party, asset transition activity is a very high risk activity and requires careful planning, execution and reporting on key factors such as timings, costs and out of market exposures

The Fund should have a clear framework setting out how transition activity is carried out which would include a clear process for carrying out transitions including:

- Checklists;
- Roles;
- Responsibilities;
- Required documentation;
- Sign off procedures; and
- Risks and mitigations.
- Details of pre and post transition reports such as costs, timing and monetary amounts moved.

Potential implications

There is a risk that, in the absence of formalised documentation setting out the process, roles, responsibilities, and reporting requirements for asset transitions, transitions may be poorly planned or executed. This could lead to unanticipated costs, delays, operational errors, regulatory non-compliance, or excessive out-of-market exposures. While the use of third-party providers (e.g. custodians or transition managers) mitigates some elements of this risk, the Fund retains ultimate accountability and therefore requires a robust governance framework to oversee and manage transition activities effectively.

Recommendations

Develop a formal transition process document covering roles, responsibilities, processes and documentation required, including details of any pre or post transition reports.

Current year findings

1

Framework for asset transition process

Control Design

Management action plan

A documented framework will be developed and used for the next transition.

Responsible person/title:

Service Manager - Financial Services

Target date:

September 2025

Finding rating

Impact	5
Likelihood	iii
Rating	Medium

Current year findings

2

Investment manager oversight framework
Control Design

Finding rating

Impact	4
Likelihood	iii
Rating	Medium

Finding and root cause

TPF would benefit from a formalised framework or documentation that governs its engagement and oversight of investment managers. Although Officers reportedly meets with these managers quarterly, there is no documented structure for their oversight. With clear guidelines, TPF can ensure consistency in manager review and engagement, avoiding unmanaged risks and breaches of agreement.

The Fund should have a clear policy outlining their oversight of managers and how relationships are managed:

- How often each manager is reviewed and detail what is involved in these reviews to ensure comprehensive assessments and accountability versus manager agreements
- The relationships and point of contacts with the managers
- There should be a clear escalation protocol for issues identified during reviews or emerging outside the regular review cycle. This ensures swift and effective resolution of any concerns.

Potential implications

The absence of a formal oversight framework increases the risk of misalignment between the managers’ activities, management agreements and the Fund’s strategic objectives.

Recommendations

Develop a formal policy for investment manager oversight covering manager review process, expectations and timelines, clear escalation routes and schedule of meetings.

Management action plan

Policy for oversight and review will be developed and implemented.	Responsible person/title: Service Manager - Financial Services Target date: December 2025
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Current year findings

3

Opportunity to Formalise and Document the Investment Strategy Setting Process

Control Design

Finding rating

Impact	5
Likelihood	iii
Rating	Medium

Finding and root cause

The current approach to setting the Fund's investment strategy—led by the investment advisor, Isio, following each valuation—provides a foundation for aligning investment objectives, asset allocation, and risk management. However, there is an opportunity to strengthen governance and transparency by formalising and documenting the end-to-end process. Our review identified several areas where enhanced documentation could add value:

- **Procedural Clarity:** There is currently no supporting documentation outlining the specific steps involved in the investment strategy review. Formalising this process could help clarify:
 - The roles and responsibilities of all parties involved;
 - How the Fund's objectives are determined, agreed upon, and communicated; and
 - The information and documentation used to support strategic decisions.
- **Implementation and Monitoring:** The process for implementing the agreed strategy and monitoring its effectiveness over time is not currently documented. Establishing a clear framework would help ensure consistency and accountability in execution and evaluation.
- **Review and Challenge:** There is limited documented evidence of review and challenge by TPF prior to strategy approval. Capturing this oversight formally would reinforce governance and demonstrate robust decision-making.

By addressing these areas, the Fund can enhance transparency, support effective collaboration among stakeholders, and provide greater assurance that the investment strategy is well-considered and aligned with the long-term needs of the scheme.

Potential implications

Without a formalised and well-documented investment strategy setting process—including clearly defined roles, responsibilities, and procedures for review and challenge—there is a risk that the Fund's strategy may not be fully aligned with its long-term objectives, risk appetite, or funding requirements. This could lead to:

- Inconsistent decision-making due to a lack of structured guidance;
- Reduced accountability among stakeholders;
- Limited challenge of advisor recommendations, potentially weakening governance; and
- Insufficient documentation of the rationale behind strategic decisions.

Current year findings

3

Opportunity to Formalise and Document the Investment Strategy Setting Process

Control Design

Finding rating

Impact	5
Likelihood	iii
Rating	Medium

Recommendations

1.

Management should develop a formal policy that clearly lays out the investment strategy setting process including implementation and monitoring. This policy should include detailed procedural steps, clarify roles and responsibilities (including for management, the Committee and the board) and define what documentation will be used and how.
2.

Within the policy, include expectations of evidence that will be saved to support review and challenge from TPF .

Management action plan

Policy for investment strategy setting will be developed and implemented before the next review.	Responsible person/title: Service Manager - Financial Services Target date: March 2026
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Current year findings

4

Enhancements required to quarterly reporting

Control Design

Finding rating

Impact	3
Likelihood	iii
Rating	Low

Finding and root cause

Whilst there is ample and regular performance reporting, the current Investment performance monitoring process would benefit from enhancements to bring together the quantitative data with qualitative oversight and commentary, highlighting key updates and risks to performance on a regular basis.

The following items should be considered for inclusion in this performance summary document to bring together a bigger picture of performance which would help to raise the key issues of the Fund:

- Performance of the assets versus the liability and various asset benchmarks, including the liability benchmark;
- Risk metrics of the Fund,e.g Value at Risk versus threshold/limit;
- Allocation of the Fund relative to strategic benchmark, including any allocations that are out of range; and
- Commentary on the underlying managers, highlighting any issues such as key personnel leaving.

Potential implications

There is a risk that, in the absence of a comprehensive investment performance summary combining quantitative data with qualitative analysis and commentary, key risks and drivers of underperformance may not be effectively identified or acted upon. This could lead to delayed or suboptimal decision-making by the Trustee Board, missed signals of emerging issues (e.g. manager instability or risk breaches), and inadequate oversight of the Fund’s alignment with its strategic and liability benchmarks — ultimately impairing the Fund’s ability to meet its long-term objectives.

Recommendations

Management should enhance the performance reporting to include the following:

1. Performance of the assets versus the liability and various asset benchmarks, including the liability benchmark
2. Risk metrics of the Fund,e.g Value at Risk versus threshold/limit
3. Allocation of the Fund relative to strategic benchmark, including any allocations that are out of range
4. Commentary on the underlying managers, highlighting any issues such as key personnel leaving.

Current year findings

4

Enhancements required to quarterly reporting
Control Design

Management action plan

A review of performance reporting will be undertaken and improved.

Responsible person/title:

Senior Banking & Investment Officer

Target date:

September 2025

Finding rating

Impact	3
Likelihood	iii
Rating	Low

Current year findings

5 Improvements to benchmark details within the SIP
Control Design

Finding rating

Impact	3
Likelihood	iii
Rating	Low

Finding and root cause

While there is reporting on a regular basis on the Fund’s performance against asset benchmarks, there is no reference to Fund’s liability benchmark of CPI + 1.6% within the regular reporting. Additionally there is not a clear explanation in the SIP (or other documents) around why the Fund is compared against certain benchmarks.

It is important for the Fund to track how it is performing against key benchmarks to ensure that these align or identify any early warning signs that the Fund may be underperforming, so that corrective action can be taken.

Potential implication

There is a risk that, without regular reporting against the Fund’s liability benchmark (CPI + 1.6%), investment performance monitoring may not fully reflect progress toward the Fund’s long-term funding objective. This could lead to misinformed decision-making by the Board, insufficient scrutiny of strategic asset allocation effectiveness, and reduced ability to identify and address underperformance relative to the Fund’s liabilities. Ultimately, this may increase the risk of a funding shortfall and threaten the ability of the Fund to meet its future benefit obligations.

Recommendations

- 1. Introduce reference to the liability benchmark of CPI + 1.6% in performance reports and include reference to this in the SIP.
- 2. Include in the SIP (or other documentation) the rationale of why the benchmarks are used and how these are reviewed against.

Management action plan

Benchmark now included in the SIP. Performance reporting will include this detail in the future.	Responsible person/title: Service Manager - Financial Services Target date: September 2025
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Appendices



Appendix A: Basis of our classifications

Individual finding ratings

Findings are assessed on their impact and likelihood based on the assessment rationale in the tables below.

Impact rating	Assessment rationale
6	A finding that could have a: <ul style="list-style-type: none">• Critical impact on operational performance; or• Critical monetary or financial statement impact; or• Critical breach in laws and regulations that could result in material fines or consequences; or• Critical impact on the reputation or brand of the organisation which could threaten its future viability.
5	A finding that could have a: <ul style="list-style-type: none">• Significant impact on operational performance; or• Significant monetary or financial statement impact; or• Significant breach in laws and regulations resulting in large fines and consequences; or• Significant impact on the reputation or brand of the organisation.
4	A finding that could have a: <ul style="list-style-type: none">• Major impact on operational performance; or• Major monetary or financial statement impact; or• Major breach in laws and regulations resulting in significant fines and consequences; or• Major impact on the reputation or brand of the organisation.
3	A finding that could have a: <ul style="list-style-type: none">• Moderate impact on the organisation's operational performance; or• Moderate monetary or financial statement impact; or• Moderate breach in laws and regulations with moderate consequences; or• Moderate impact on the reputation of the organisation.

Appendix A: Basis of our classifications

Individual finding ratings

Impact rating	Assessment rationale
2	A finding that could have a: <ul style="list-style-type: none">• Minor impact on the organisation's operational performance; or• Minor monetary or financial statement impact; or• Minor breach in laws and regulations with limited consequences; or• Minor impact on the reputation of the organisation.
1	A finding that could have a: <ul style="list-style-type: none">• Insignificant impact on the organisation's operational performance; or• Insignificant monetary or financial statement impact; or• Insignificant breach in laws and regulations with little consequence; or• Insignificant impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Likelihood

Likelihood rating	Assessment rationale
vi	Has occurred or probable in the near future
v	Possible in the next 12 months
iv	Possible in the next 1-2 years
iii	Possible in the medium term (2-5 years)
ii	Possible in the long term (5-10 years)
i	Unlikely in the foreseeable future

Appendix A: Basis of our classifications





Finding rating

This grid is used to determine the overall finding rating. Issues with a low impact and likelihood rating will not be reported.

Likelihood rating	Impact rating					
	6	5	4	3	2	1
vi	Critical	Critical	High	High	Medium	Medium
v	Critical	High	High	Medium	Medium	Low
iv	High	High	Medium	Medium	Low	Low
iii	High	Medium	Medium	Low	Low	Low
ii	Medium	Medium	Low	Low	Low	Not reportable
i	Medium	Low	Low	Low	Not reportable	Not reportable

Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

Findings rating	Points	Report classification		Points
Critical	40 points per finding		Satisfactory	6 points or less
High	10 points per finding		Satisfactory with exceptions	7 – 15 points
Medium	3 points per finding		Needs improvement	16 – 39 points
Low	1 point per finding		Unsatisfactory	40 points and over

Appendix B: Terms of reference

This review is being undertaken as part of the 2024/25 internal audit plan approved by the Pension Sub-Committee.

Background and audit objectives

An effective investment strategy framework is critical in ensuring that the organisational objectives are achieved over the lifetime of the fund. TPF is administered in line with the Local Government Pension Scheme Regulations. Control weaknesses within the investment strategy and governance framework may lead not only to financial detriment but also regulatory and reputational issues. Inconsistent processes may lead to inefficient or poor decision-making.

The objective of this audit is to perform a review of the key controls and governance that lead to advising on and setting the investment strategy at TPF. Our scope areas are aligned to what we would expect to see at TPF. We will also give insight into good practice we have seen elsewhere on investment decision-making and oversight.

Please find the detailed objectives outlined on the next page.

Appendix B: Terms of reference

Sub-process	Objectives	Risks
Investment Strategy Setting	<ul style="list-style-type: none"> TPF has a defined framework in place for setting the investment strategy, objectives and asset allocations. Appropriate input from TPF, external advisors and wider stakeholders is considered. This flows through into the Investment Strategy Statement (ISS), Funding Strategy Statement (FSS) and risk appetite statement. TPF considers relevant factors when setting the investment strategy. TPF has established clear performance metrics for the investment strategy, including reporting on these. The investment strategy is adequately documented and reviewed at appropriate intervals. The Investment Strategy Statement (ISS) is kept up to date and publicly available. 	<ul style="list-style-type: none"> An inadequate process could result in an investment strategy that does not align with TPF's beliefs and scheme objectives. Failure to update strategy and objectives means that TPF's investment goals may not be implemented or consider all relevant factors. Decisions taken without an appropriate process or advice may lead to poor investment outcomes. There is a risk of breaching regulations if required documentation such as the ISS is not updated in a timely manner.
Investment Governance	<ul style="list-style-type: none"> There is a formal governance process in place for setting the investment strategy which includes the review of data / inputs which inform the strategy, and the translation of this into both legal and internal documentation. Roles and responsibilities are clearly defined and documented, in particular the responsibilities for approval of the strategy and the relationship between TPF and Fund Managers. The working relationship between TPF and Fund Managers is collaborative. There is a conflicts of interest policy in place to manage risks. A process is in place for the Committee to monitor breaches of AMA's. There is a clear approach to resolution of any issues with Fund Manager delivery. Committee approval of any actions that breach provisions in the AMA's are clearly documented. Committee has sight of all FCA regulatory investment reports and publicly available investment reports before publication. Committee meetings are conducted in line with Standing Orders and matters reserved for the Committee. The Committee has sufficient competence to make the investment decisions required and undertakes regular training. Operation of the investment related committees is effective and roles and responsibilities are clearly defined. Minutes at these meetings are recorded. Investment risks are considered, monitored and recorded. 	<ul style="list-style-type: none"> Lack of formal governance process may result in inadequate oversight of the strategy and poorly informed decision making. Lack of clearly defined roles could cause the interests of TPF and Fund Managers to become misaligned and accountability to become ambiguous. If the Committee does not operate within their terms of reference (formal or implied), decision making will be less effective. The Committee could become overwhelmed with low priority issues and lose focus on strategic decisions.

Appendix B: Terms of reference

Sub-process	Objectives	Risks
Monitoring and oversight	<ul style="list-style-type: none">• There is timely and relevant reporting in place from Fund Managers to TPF which allows the monitoring of Fund Manager's performance against the investment strategy objectives.• TPF has in place an appropriate escalation process of issues and information reported to the relevant committees by TPF Officers.• There is timely and relevant reporting in place for the Committee to monitor overall scheme performance, risks, costs and compliance with investment guidelines.	<ul style="list-style-type: none">• A lack of a formal documented investment monitoring framework may lead to inconsistent monitoring processes, resulting in possible lack of identification of risks and financial detriment.• Where relevant Management Information (MI) is not reported, TPF will not have sufficient oversight and information needed to make strategic decisions.

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

Thank you

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This document has been prepared only for Tayside Pension Fund and solely for the purpose and on the terms agreed with Tayside Pension Fund in our agreement dated 20 January 2025. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to public sector internal audit standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

If you receive a request under freedom of information legislation to disclose any information we provided to you, you will consult with us promptly before any disclosure.

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