

GREATER MANCHESTER PENSION FUND - LOCAL PENSIONS BOARD

Day: Thursday
Date: 9 August 2018
Time: 3.00 pm
Place: Guardsman Tony Downes House, Manchester Road,
 Droylsden, M43 6SF

Item No.	AGENDA	Page No						
1.	APOLOGIES FOR ABSENCE							
2.	DECLARATIONS OF INTEREST To receive any declarations of interest from Members of the Board.							
3.	MINUTES The Minutes of the meeting of the Local Pensions Board held on 29 March 2018 to be approved as a correct record.	1 - 8						
4.	LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 - EXEMPT ITEMS The Proper Officer is of the opinion that during the consideration of the items set out below, the meeting is not likely to be open to the press and public and therefore the reports are excluded in accordance with the provisions of the Schedule 12A to the Local Government Act 1972.							
	<table border="1"> <thead> <tr> <th>Item</th><th>Paragraphs</th><th>Justification</th></tr> </thead> <tbody> <tr> <td>5, 7,11,15</td><td>3&10, 3&10, 3&10, 3&10</td><td>Disclosure would, or would be likely to prejudice the commercial interests of the Fund and/or its agents which could in turn affect the interests of the beneficiaries and/or tax payers.</td></tr> </tbody> </table>	Item	Paragraphs	Justification	5, 7,11,15	3&10, 3&10, 3&10, 3&10	Disclosure would, or would be likely to prejudice the commercial interests of the Fund and/or its agents which could in turn affect the interests of the beneficiaries and/or tax payers.	
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5, 7,11,15	3&10, 3&10, 3&10, 3&10	Disclosure would, or would be likely to prejudice the commercial interests of the Fund and/or its agents which could in turn affect the interests of the beneficiaries and/or tax payers.						
5.	SUMMARY OF GMPF DECISION MAKING Report of the Assistant Director of Pensions, Funding and Business Development, attached.	9 - 30						
6.	TERMS OF OFFICE OF BOARD MEMBERS Report of the Assistant Director of Pensions, Funding and Business Development, attached.	31 - 40						
7.	THE PENSIONS REGULATOR Report of the Assistant Director of Pensions, Funding and Business Development, attached.	41 - 92						

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton, Senior Democratic Services Officer, to whom any apologies for absence should be notified.

Item No.	AGENDA	Page No
8.	ACADEMY FUNDING ARRANGEMENTS UPDATE Report of the Assistant Director of Pensions, Funding and Business Development, attached.	93 - 108
9.	SECTION 13 VALUATION Report of the Assistant Director of Pensions, Funding and Business Development, attached.	109 - 116
10.	ADMINISTRATION BUSINESS AND PROJECT PLANS Report of the Pensions Policy Manager, attached.	117 - 122
11.	LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018 Report of the Pensions Policy Manager attached.	123 - 130
12.	GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT Report of the Assistant Director of Pensions, Local Investments and Property, attached.	131 - 166
13.	RISK MANAGEMENT AND AUDIT SERVICES - ANNUAL REPORT 2017/18 Report of the Head of Risk Management and Audit Services attached.	167 - 194
14.	RISK MANAGEMENT AND AUDIT SERVICES - ANNUAL PLAN 2018/19 Report of the Head of Risk Management and Audit Services attached.	195 - 222
15.	RISK MANAGEMENT AND AUDIT SERVICES INTERNAL AUDIT UPDATE Report of the Head of Risk Management and Audit Services attached.	223 - 230
16.	CIPFA GUIDANCE FOR LOCAL PENSION BOARDS Report of the Assistant Director of Pensions, Funding and Business Development, attached.	231 - 292
17.	URGENT ITEMS To consider any additional items the Chair is of the opinion shall be dealt with as a matter of urgency.	

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton, Senior Democratic Services Officer, to whom any apologies for absence should be notified.

GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

29 March 2018

Commenced: 3.00pm

Terminated: 5.15pm

Present:	Councillor Fairfoull (Chair)	Employer Representative
	Jayne Hammond	Employer Representative
	Richard Paver	Employer Representative
	Paul Taylor	Employer Representative
	Chris Goodwin	Employee Representative
	Catherine Lloyd	Employee Representative
	Pat Catterall	Employee Representative

Apologies for absence: Councillor Cooper, Mark Rayner and David Schofield

24. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members in relation to items on the agenda.

25. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 14 December 2017, having been circulated, were signed by the Chair as a correct record, with the inclusion of Jayne Hammond to the list of persons present.

26. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 – EXEMPT ITEMS

RESOLVED

That under Section 100 (A) of the Local Government Act 1972 the public be excluded for the following items of business on the grounds that:

- (i) they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the act specified below; and
- (ii) in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information for reasons specified below:

<u>Items</u>	<u>Paragraphs</u>	<u>Justification</u>
5,7,9,12,14	3&10, 3&10, 3&10, 3&10, 3&10	Disclosure would or would be likely to prejudice the commercial interests of the Fund and/or its agents, which could in turn affect the interests of the beneficiaries and/or tax payers.

27. SUMMARY OF GMPF DECISION MAKING

The Assistant Director of Pensions, Funding and Business Development, submitted a report summarising the decisions made by the GMPF Working Groups during January and February 2018 and which were submitted for approval at the Management Panel meeting on 23 March 2018.

It was explained that Tameside MBC delegated its decision making in respect of GMPF to the Management Panel, which in turn authorised the Director of Pensions to implement its strategy via delegated powers. The Pension Fund Advisory Panel worked closely with the Management Panel, and advised them in all areas. Each local authority was represented on the Advisory Panel, and there were five employee representatives nominated by the North West TUC.

Four external advisors assisted the Advisory Panel, in particular regarding investment related issues. A key element was helping it to question the Fund's investment managers on their activities. GMPF also had six permanent working groups, which considered particular areas of its activities and made recommendations to the Management Panel. The Working Groups covered:-

- Alternative Investments;
- Policy and Development;
- Employer Funding Viability;
- Investment Monitoring and Environmental, Social and Governance (ESG);
- Pensions Administration; and
- Property.

The Panels and Working Groups met quarterly and the recommendations of each of the working groups from the meetings that had taken place since the last meeting of the Local Board, were set out in the report.

The Assistant Director explained that the Policy and Development Working Group had met the day prior to the Management Panel and most of the items had been discussed at the Panel meeting on 23 March 2018. He added that he would include a summary of the decisions at the next meeting of the Local Board.

Members sought information with regard to how the GMPF Board agendas compared to those of other Local Boards. The Director of Pensions, in response, explained that she understood that larger funds were similar to GMPF's, as would be expected.

It was suggested that fund manager monitoring may be an area for consideration for Local Board going forward, together with the Performance Dashboard and the Manager Monitoring Regime and escalation process, which was a recent process brought in by the Director to look at risk as well as performance to which Local Board members had access. Administration benchmarking could also be an area for consideration by the Board.

RESOLVED

That the content of the report be noted.

28. LOCAL BOARD TERMS OF REFERENCE

The Assistant Director of Pensions, Funding and Business Development, submitted a report explaining that the Terms of Reference for the Local Board required periodic review by the Administering Authority. One of the areas that the Terms of Reference suggested should be reviewed was the appropriate number of Board members, which should be conducted in liaison with the Board. A copy of the Terms of Reference was appended to the report.

It was reported that the GMPF Local Board was initially comprised of 2 employer representatives and 2 employee representatives (there is a requirement for equal numbers of each).

This was increased soon after establishment to '4+4' and then to '5+5' with the addition of the pensioner representative and the representative of non-local authority employers. The only change to the Board membership since the expansion to 10 members was the retirement of the original Board Chair (one of the employer representatives) and the appointment of Councillor Fairfoull as his replacement.

The Terms of Reference set the terms of office for the initial board members to run until September 2016 but gave the Administering Authority the power to extend these. However, the Terms of Reference were silent on the terms of office of the members who had subsequently joined.

Discussion ensued in respect of appropriate terms of office and composition of the Board and Members gave consideration to the appropriate range of skills and experience, and whether the Board effectively represented employer and Scheme member interests. They further considered the need to maintain stability whilst achieving appropriate turnover of members.

The Chair agreed that a report be submitted by the Director of Pensions to a future meeting of the Local Board setting out suggested Board composition and terms of office going forward, taking into consideration members' comments that a 4 year term of office seemed appropriate.

RESOLVED

- (i) That the content of the report be noted; and**
- (ii) That a report be submitted to a future meeting of the Local Board for members' consideration, setting out proposals for Board composition and terms of office going forward.**

28. NORTHERN POOL

The Assistant Director of Pensions, Funding and Business Development, submitted a report summarising the recent activity of the Northern Pool and other relevant developments related to pooling assets across the LGPS in England and Wales.

It was reported that, as discussed at the previous meeting, the Northern Pool submitted a formal progress update to DCLG on 9 November 2017. Rishi Sunak MP had recently provided a response to the Northern Pool's autumn progress update, a copy of which was appended to the report. The Minister had expressed his desire to meet with members of the Northern Pool Shadow Joint Committee to discuss plans for implementation. It was also understood that the Minister wished to see increased investment in housing from the LGPS and had reiterated his desire to visit some of the Northern Pool's housing developments in his letter.

The main ongoing work streams for the Northern Pool were set out in the report.

As also discussed at previous meetings of the Working Group, the plans for the Northern Pool had evolved since the July 2016 submission was made to Government in order to more effectively meet the Pooling Criteria and Guidance and deliver better outcomes for the funds and their stakeholders.

In particular, the vast majority of the benefits of pooling for the funds in the Northern Pool were in respect of alternative assets where there was greatest scope to generate further economies of scale and to combine resources to make increasingly direct investments. Following detailed discussions with each of the Fund's advisors and the professional advisors to the pool, it was agreed in March 2017 that in order to best meet the Reduced Costs and Excellent Value for Money criteria set by Government, the Northern Pool should focus resource on making collective investments in alternative assets (which would commence and start generating material cost savings from April 2018) rather than establishing an Investment Management Company established under the Alternative Investment Fund Managers Directive ('AIFM') as a pool operator in the short term.

However, as could be seen from the letter recently received from the Minister, the current structure of the Northern Pool may not necessarily be in line with what Government was envisaging when the pooling agenda was formed.

The Northern Pool's understanding of the relevant Regulations was that it is up to administering authorities, to determine that they meet the pooling Criteria and Guidance. As such, the Northern Pool administering authorities are being asked to confirm that they believe the criteria and guidance has been met when formalising the governing documentation of the pool.

A presentation was attached to the report, setting out how the Northern Pool would meet the requirements of the LGPS Investment Regulations and the Pooling Criteria and Guidance issued by Government.

With regard to formally establishing the Northern Pool Joint Committee, a draft of the inter-authority agreement which set out the operation of the Northern Pool Joint Committee, was also appended to the report.

LGPS National Pooling developments were detailed and discussed.

Further to discussion regarding Pool governance, the Director of Pensions explained that each administering authority would need to agree the details of the formal establishment of the Pool at their upcoming Annual Council meetings.

RESOLVED

- (i) That the content of the report be noted; and**
- (ii) That further Pooling updates be provided to future meetings of the Local Board.**

29. LOCAL BOARD TRAINING

The Assistant Director of Pensions, Funding and Business Development submitted a report explaining that Local Board members were required to acquire appropriate 'knowledge and understanding' of pension matters, under the Pensions Act 2004. The degree of knowledge and understanding must be 'appropriate for the purposes of enabling the individual to properly exercise the functions of a member of a local board'.

The report summarised some of the resources available to members to help meet their training requirements and facilitated discussion on how further support could be provided.

The Assistant Director of Pensions asked Board members to ensure they completed the Pensions Regulator's Public Service Toolkit as soon as possible.

He added that it was expected that the Pensions Regulator would look to increase its monitoring of compliance with the knowledge and understanding requirements and sought to take action against Boards and Scheme Managers that could not demonstrate compliance. To help demonstrate compliance and provide assurance to stakeholders, it was expected that GMPF would continue with its practice of disclosing Panel and Board members' attendance at training events in the annual report. Members were asked to ensure that they informed the Clerk to the Board of any training events they had attended.

Discussion ensued with regard to training and in particular, members expressed a need for further information with regard to the role of the Pensions Regulator.

RESOLVED

- (i) That the content of the report, including the knowledge and understanding requirements of the role of Board member, be noted;**

- (ii) That all Board members complete the Pensions Regulator's Public Service Toolkit as soon as possible; and
- (iii) That all Board members subscribe to pensions news updates from the Pensions Regulator.

30. 2019 ACTUARIAL VALUATION AND RELATED FUNDING MATTERS

Consideration was given to a report of the of the Assistant Director of Pensions, Funding and Business Development, which explained that the next actuarial valuation of the LGPS in England and Wales would take place with an effective date of 31 March 2019, with new contribution rates coming into effect from 1 April 2020.

The report summarised the change in funding since the effective date of the previous valuation (31 March 2016) and some of the factors that were likely to impact 2019 valuation results.

The report also covered some related matters, in particular changes that were being made to the calculation of early retirement 'strain costs' for employers.

RESOLVED

That the content of the report be noted.

31. GMPF BUDGET 2018/2019 AND FUTURE MEDIUM TERM FINANCIAL PLANNING

A report was submitted by the Assistant Director of Pensions, Local Investments and Property, explaining that, at its meeting on 23 March 2018, the GMPF Management Panel approved an expenditure budget for GMPF for 2018/2019 alongside a medium term financial plan.

It was reported that the Fund, following approval on assumptions and process by the Management Panel, produced a medium term financial plan and medium term expenditure plan in its annual report and accounts for 2017/18, details of which were set out in the report.

Key observations were detailed as follows:

- Investment returns were the key determinant of the financial position;
- The Fund had a negative cash-flow from pensions paid, less contributions and the trend was for this to increase as the Fund matured; and
- The management costs were small relative to Fund size and annual cash flows and were assumed to remain constant in the medium term. (This was due to uncertainty over pooling arrangements and the fund's zero based budgeting approach).

The medium term financial plan was set out in the report and the key observations for consideration were:

- The maturity of the Fund continued and accelerated;
- Investment income was still higher than outflows to pensioners net of contributions; and
- Investment returns were key drivers of outcomes.

Budget changes for 2018/19 from the 2017/18 budget were detailed with investment management arrangements making up the major part of the changes.

RESOLVED

That the content of the report that was presented to the Management Panel, be noted.

32. 2017/18 EXTERNAL AUDIT PLAN

Consideration was given to a report of the External Auditor, Grant Thornton, which set out their approach to the 2017/18 audit.

It was noted that the estimated audit fee for 2017/2018 was £56,341.

RESOLVED

That the content of the report be noted.

33. THE PENSIONS REGULATOR (TPR)

The Pensions Policy Manager submitted a report providing the Local Board with an update on work relating to compliance with TPR's Code of Practice 14 that was currently being carried out.

The report gave details of:

- Further review of compliance with Code of Practice 14;
- Breaches of the law logged so far in 2017/2018; and
- Correspondence received from TPR in December 2017.

The report concluded that a review of compliance with the Code of Practice 14 had been undertaken and a number of areas where immediate improvements could be made had been identified. The aim was to complete all these tasks by May 2018 and create action plans for any longer-term developments needed also by this date.

GMPF had been recording breaches of the law on its breaches log. GMPF's breaches policy and log would be strengthened for 2018/2019 to ensure it was in line with TPR's latest guidance.

A number of steps had been taken regarding the breach of the law relating to the accuracy of data provided by a large scheme employer. Updates had been provided to TPR. These would continue to be provided in order to assist TPR with its investigations.

Discussion ensued with regard to the breaches of law logged and areas identified for improvement to strengthen compliance standards.

RESOLVED

- (i) That the content of the report, including the breaches of the law logged so far in 2017/18, be noted;**
- (ii) That the progress on a case that TPR wrote to GMPF about in December relating to a breach in the law, be noted; and**
- (iii) That the log of breaches of the law reported to the Pensions Regulator and unreported breaches be a standing item for future Local Board agendas.**

34. ADMINISTRATION BUSINESS AND PROJECT PLANS

A report of the Pensions Policy Manager was submitted providing Local Board members with a summary of:

- Progress made on the 2017/18 business planning objectives set by the Administration section and confirmation of the objectives set for 2018/2019;
- A summary of the other strategic or service improvement administration projects being worked on currently; and
- Regular and other items of work currently being undertaken by the section.

RESOLVED

That the content of the report be noted.

35. RISK MANAGEMENT AND AUDIT SERVICES 2017/2018

Consideration was given to a report of the Head of Risk Management and Audit Services summarising the work of the Risk Management and Audit Service for the period April 2017 to 2 March 2018.

Details were given of final reports issued during the period as follows:

- GM Property Venture Fund – Review of First Street Development;
- Contributing body Visit to Tameside MBC; and
- Transfer of Assets to Stone Harbor (the Fund's specialist credit manager)

Draft reports were also issued as follows:

- VAT;
- Treasury Management; and
- Contributing Body Visit to Salford CC.

Details were also given of post audit reviews currently in progress, the results of which would be reported to the next meeting of the Local Board.

Audits/work currently in progress were outlined as follows:

- ICT Device Management;
- Calculation and Payment of Benefits;
- Contributing Income;
- Contributing body Visit to Trafford MBC;
- Contributing Body Visit to Manchester CC
- Agresso Upgrade; and
- Sign off – Bank Account Transfer to Barclays.

It was explained that the Public Sector Internal Audit Standards (PSIAS) required that an external assessment of an organisation's internal audit function was carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation.

The North West Chief Audit Executives' Group (NWCAE) had established a 'peer-review' process that was managed and operated by the constituent authorities. This process addressed the requirement of external assessment through 'self-assessment with independent external validation'.

The assessment of Tameside MBC Internal Audit Service had been carried out between 12 – 14 March 2018. The initial feedback to the Head of Risk Management and Internal Audit was positive and the report was awaited.

Members were informed that the Internal Audit Plan for 2018/2019 was currently being drawn up and would be presented to the next meeting of the Board.

RESOLVED

That the content of the report be noted.

36. URGENT ITEMS

The Chair reported that there were no urgent items received for consideration at this meeting

CHAIR

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Agenda Item 6

Report To:	GMPF LOCAL PENSIONS BOARD
Date:	9 August 2018
Reporting Officer:	Sandra Stewart, Director of Pensions Euan Miller, Assistant Director of Pensions (Funding and Business Development)
Subject:	LOCAL BOARD TERMS OF OFFICE
Report Summary	<p>The Terms of Reference for the Local Board require periodic review by the Administering Authority. One of the areas that the Terms of Reference suggests should be reviewed is the appropriate number of Board members, which should be conducted in liaison with the Board.</p> <p>It was agreed at the previous meeting of the Board that a report be submitted to a future meeting of the Local Board for members' consideration, setting out proposals for Board composition and terms of office going forward.</p> <p>The current Terms of Reference are attached as Appendix 1 to this report for information.</p>
Recommendations:	To provide comment on the proposals set out in Section 3 of the report.
Policy implications:	None.
Financial Implications:	None.
(Authorised by the Section 151 Officer)	
Legal Implications:	The responsibilities of local boards in the LGPS are set out in the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.
(Authorised by the Solicitor to the Fund)	The 2015 Governance Regulations require employer and member representatives to have the "capacity" to represent employers and members respectively. Board members are also required to acquire appropriate "knowledge and understanding" of pension matters, under the Pensions Act 2004.
Risk Management:	The purpose of the Local Board is to oversee compliance type activities and to support effective and efficient governance of the Fund. Thus its role is likely to focus on mitigating risks.
ACCESS TO INFORMATION:	NON-CONFIDENTIAL This report does not contain information which warrants its consideration in the absence of the Press or members of the public.

Background Papers:

For further information please contact Euan Miller, Assistant Executive Director – Funding and Business Development.



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1. INTRODUCTION

- 1.1 The Terms of Reference for the Local Board were initially adopted in February 2015 and last revised in July 2015. The current Terms of Reference are attached as **Appendix 1** to this report.
- 1.2 The Terms of Reference for the Local Board require periodic review by the Administering Authority. One of the areas that the Terms of Reference suggests should be reviewed is the appropriate number of Board members, which should be conducted in liaison with the Board.
- 1.3 It was agreed at the previous meeting of the Board that a report be submitted to a future meeting of the Local Board for members' consideration, setting out proposals for Board composition and terms of office going forward.

2. BACKGROUND

- 2.1 To allow it to be established expediently, the GMPF Local Board was initially comprised of 2 employer representatives and 2 employee representatives ('2+2' - there is a requirement for equal numbers of each).
- 2.2 This was increased soon after establishment to '4+4' and then to '5+5' with the addition of the pensioner representative and the representative of non-local authority employers.
- 2.3 The current process for allocating seats on the Board is set out in paragraphs 5 to 13 of the Terms of Reference.
- 2.4 The only change to the Board membership since the expansion to 10 members is the retirement of the original Board Chair (one of the employer representatives) and the appointment of Councillor Fairfoull as his replacement.
- 2.5 The Terms of Reference set the terms of office for the initial board members to run until September 2016 but give the Administering Authority the power to extend these (paragraphs 18 to 20). However the Terms of Reference are silent on the terms of office of the members who have subsequently joined.
- 2.6 At the previous meeting, Board members agreed that 4 year terms of office would be an appropriate term in order to maintain an appropriate range of skills and experience.

3. PROPOSAL

- 3.1 It is proposed that the Board remains at 10 members, with the same composition and method of appointment as at present, and that individual terms of office are set at 4 years, with Board members serving no more than 2 consecutive terms of office.
- 3.2 Board members will be expected to complete appropriate training, such as the Pensions Regulator's Public Service Toolkit and to attend relevant training events.
- 3.3 In order to best maintain the knowledge and experience of the Board it is proposed that the conclusion of the existing terms of office are staggered over a 4 year period, with either 2 or 3 Board members' terms of office concluding each year.
- 3.4 A proposed schedule for the expiry of the existing terms of office is set out in the table below.

Date	Board members with concluding term of office		
May 2019	Pensioner representative (automatically renew)	Representative of non-local government employers (automatically renew)	Representative of GM Treasurers
May 2020	Tameside MBC representative	Employee representative	
May 2021	Representative of GM Monitoring Officers	Employee representative	Employee representative
May 2022	Tameside MBC representative	Employee representative	

- 3.5 Due to the complexity of running a process to select the Pensioner and Non-Local Authority representatives, it is proposed that the current appointments automatically renew in 2019. The representative of GM Treasurers has also volunteered for his term of office to expire in 2019.
- 3.6 Tameside MBC will write to the North West TUC to ask it to determine the expiry of the term of office for each of the employee representatives in accordance with the table above. Tameside MBC AS Administering Authority will decide which of its representatives' term of office concludes in 2020 and which concludes in 2022.

4. RECOMMENDATIONS

- 4.1 To provide comment on the proposals set out in Section 3 of the report.

APPENDIX 1

LOCAL PENSION BOARD OF TAMESIDE MBC TERMS OF REFERENCE

Introduction

1. This document sets out the terms of reference of the Local Pension Board of Tameside MBC (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. Please refer to the definitions set out on the final page of this document.

Statement of purpose

3. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:
 - (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
 - (b) to ensure the effective and efficient governance and administration of the Scheme.

Duties of the Board

4. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members. The Board should always act within these Terms of Reference.

Membership

5. The Board shall consist of 10 members, and at all times there shall be an equal number of Member and Employer Representatives. Substitutes shall not be appointed.
6. Each member has one vote on the Board. Should an Employer/Member representative not be in attendance at any meeting, another Employer/Member representative may vote on their behalf. The Chair of the Board does not have a casting vote.
7. The Administering Authority, following liaison with the Board, will periodically review the appropriate number of Board members and whether the Board shall include other members who are not entitled to vote. Initially, there will be no other members on the Board.
8. Four of the Board's Member representatives shall be nominated by the recognised trade unions representing employees who are scheme members of the Fund.
9. The remaining Member representative will be selected directly from the membership of the Fund.
10. Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.

11. Two of the initial Employer representatives shall be nominated by Tameside MBC and two shall be nominated by the other Greater Manchester local authorities.
12. The remaining Employer representative will be nominated by the Fund's non Local Authority employers.
13. No organisation shall have more than 2 members serving on the Board.
14. In conjunction with the review of the appropriate number of Board representatives, the Administering Authority will also review the nomination process for Member and Employer representatives.
15. Each Board member should endeavour to attend all Board meetings during the year. In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Administering Authority.

Chair of the Board

16. The Administering Authority will propose one of the members to be the Chair of the Board. There will be no vice-chair.
17. The Chair of the Board:
 - (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
 - (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
 - (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

Terms of Office

18. The term of office for the initial Board members is until September 2016. Subsequent terms of office are likely to be for a longer period and will be set to ensure continuity and the retention of knowledge and skills on the Board.
19. Extensions to terms of office may be made by the Administering Authority.
20. A Board member may be appointed for further terms of office using the methods set out in paragraphs 7 to 11.
21. Board membership may be terminated prior to the end of the term of office due to:
 - (a) A Member representative no longer being a representative of the body on which their appointment relied.
 - (b) An Employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
 - (c) A Board member no longer being able to demonstrate to the Administering Authority their capacity to attend and prepare for meetings or to participate in required training.
 - (d) The representative being withdrawn by the nominating body and a replacement identified.
 - (e) A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
 - (f) A Board member who is an elected member becomes a member of the Fund Management Panel.

- (g) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.

Conflicts of interest

22. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
23. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Administering Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Board's conflicts policy and the requirements of the Code.

Knowledge and understanding (including Training)

24. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act.
25. Board members shall participate in training in order to meet and maintain the requirements set out in the Board's Knowledge and Understanding policy and Framework.

Sub-committees

26. The Board may establish sub-committees with the approval of the Administering Authority.

Meetings

27. The Board shall as a minimum meet 4 times each year.
28. The chair of the Board with the consent of the Board membership may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

Quorum

29. A meeting is only quorate when the Chair and at least 50% of both member and employer representatives (including the Chair) are present.
30. A meeting that becomes inquorate may continue but any decisions will be non-binding.

Board administration

31. The Chair shall agree with the Board Support Officer an agenda prior to each Board meeting.
32. The agenda and supporting papers will be issued (where practicable) in advance of the meeting except in the case of matters of urgency.
33. Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members after the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.

34. The minutes may with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.
35. The Board Support Officer shall ensure that Board members meet and maintain the knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.
36. The Board Support Officer shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board.
37. The Board Support Officer shall ensure an attendance record is maintained.
38. The Board Support Officer shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

Expenses and allowances

39. The Administering Authority shall meet the expenses of Board members and pay allowances for Board members in line with the Administering Authority's policy on expenses and allowances.

Budget

40. The Board is to be provided with adequate resources to fulfil its role. In doing so the budget for the Board will be met from the Fund.
41. The Board will seek approval from the Administering Authority for its budget on an annual basis. The budget will be managed by and at the discretion of the Board.

Core functions

42. The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:
 - a) *Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Fund Management Panel.*
 - b) *Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.*
 - c) *Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.*
 - d) *Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.*
 - e) *Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.*
 - f) *Monitor complaints and performance on the administration and governance of the scheme.*

- g) *Oversee the application of the Internal Dispute Resolution Process.*
 - h) *Review the outcome of Pensions Ombudsman cases.*
 - i) *Review the implementation of revised policies and procedures following changes to the Scheme.*
 - j) *Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.*
 - k) *Review the complete and proper exercise of employer and administering authority discretions.*
 - l) *Review the outcome of internal and external audit reports.*
 - m) *Review draft accounts and Fund annual report.*
 - n) *Review the compliance of particular cases, projects or process on request of the Fund Management Panel.*
 - o) *Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Board deems appropriate.*
43. The second core function of the Board is to assist the Administering Authority to ensure the effective and efficient governance and administration of the Scheme.
44. The Fund Management Panel has established six working groups to consider in depth the issues that drive Fund performance. The Board will liaise with the Fund Management Panel in formulating its work programme under this function. Some examples of areas the Board may wish to consider are:
- a) *Monitor internal and external audit reports.*
 - b) *Review the risk register as it relates to the scheme manager function of the authority.*
 - c) *Assist with the development of improved management, administration and governance structures and policies.*
 - d) *Assist in the development and monitoring of process improvements on request of the Fund Management Panel.*
45. In support of its core functions the Board may make a request for information to the Fund Management Panel with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.
46. In support of its core functions the Board may make recommendations to the Fund Management Panel which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Reporting

47. The Board will inform the Fund Management Panel of all its decisions and actions by submitting its minutes to the Fund Management Panel and reporting on a regular basis in a format to be agreed with the Fund Management Panel.
48. The Board will produce an annual report on its work for inclusion in the Fund's Annual Report and Accounts.
49. In the exceptional circumstances that the Board considers that a matter brought to the attention of the Fund Management Panel has not been acted upon or resolved to the satisfaction of the Board, the Board will report to the Chair of the Fund Management Panel its intention to escalate the matter.
50. The appropriate internal route for escalation is to the Administering Authority's Monitoring Officer.

51. Board members are also subject to the requirements to report breaches of law under the Act and the Code to the Pensions Regulator. Where the Board considers there has been a breach it should inform and review this with the Fund Management Panel with the objective of submitting a collective report.

Review of terms of reference

52. These Terms of Reference shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every 2 years.
53. These Terms of Reference were initially adopted on 25 February 2015 and last revised on 14 July 2015.

Interpretation

The following terms have the meanings as outlined below:

'the Act'	The Public Service Pensions Act 2013.
'the Code'	means the Pension Regulator's Code of Practice No 14 governance and administration of public service pension schemes.
'the Fund'	means the Greater Manchester Pension Fund.
'the Guidance'	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.
'the Regulations'	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).
'Relevant legislation'	means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the Administering Authority and the Board notwithstanding that the Codes of Practice are not legislation.
'the Scheme'	means the Local Government Pension Scheme in England and Wales.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Report To:	GMPF LOCAL PENSIONS BOARD
Date:	9 August 2018
Reporting Officer:	Sandra Stewart - Director of Pensions Euan Miller – Assistant Director - Pensions (Funding and Business Development)
Subject :	ACADEMY FUNDING ARRANGEMENTS UPDATE
Report Summary:	The purpose of this report is to provide the Board with an update on national developments designed to improve how academy schools and their contractors interact with LGPS Administering Authorities. Also provided is an overview of Greater Manchester Pension Fund's (GMPF) current administration and funding arrangements in relation to academy schools.
Recommendation(s):	It is recommended that the Board note the information provided in the report and its potential impact on other ongoing projects, in particular the proposed work on bespoke investment strategies for employers
Financial Implications: (Authorised by the Section 151 Officer)	Removing the ability for academy schools to pool with their local authority may increase the volatility of local authority funding levels and contribution rates.
Legal Implications: (Authorised by the Solicitor to the Fund)	There are no direct legal implications to consider. Any amendments to regulations that are made will be implemented accordingly.
Risk Management:	Increased academy admissions increase the administrative, legal, and funding risks which GMPF is exposed to. In particular poor quality data being provided to GMPF by academies could lead to statutory duties not being met, failure demand and reputational damage.
ACCESS TO INFORMATION:	NON-CONFIDENTIAL This report does not contain information that warrants its consideration in the absence of the Press or members of the public.
Background Papers:	For further information please contact Euan Miller, Assistant Director – Funding and Business Development, Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden, email: euan.miller@tameside.gov.uk Tel: 0161 301 7141

1. INTRODUCTION

- 1.1 The Local Pensions Board has periodically received updates on national developments relating to education sector employers and recent initiatives to improve how academy schools and their contractors interact with LGPS Administering Authorities. Also provided at the July 2017 meeting was an overview of Greater Manchester Pension Fund's (GMPF) administration and funding arrangements in relation to education sector employers. This paper is attached as **Appendix 1** to this report for information.
- 1.2 At its November 2017 meeting, the LGPS Scheme Advisory Board agreed to establish two working groups, one on administration and the other on funding, to take forward the Board's agreed project plan. The working groups consist of representatives of key stakeholders such as the Department for Education ('DfE'), MCHLG, Multi-Academy Trusts, LGPS Practitioners and Actuaries.
- 1.3 The Scheme Advisory Board has recently published an update on the work of the two working groups. This is provided as **Appendix 2** to this report.
- 1.4 If taken forward, the proposals set out in paragraph 2.6 of **Appendix 2** to create a ring-fenced pool for academy schools in each LGPS fund would be likely to have a material impact on employer funding matters. Further details are provided in section 2 below.
- 1.5 In order to implement the proposals amendments would be required to the LGPS Regulations with a consultation exercise with relevant stakeholders expected to be undertaken prior to this.

2. ACADEMY SCHOOLS

- 2.1 Several GM local authorities allow academies to join their actuarial pool with the academy then pay the same employer contribution rate as other pool employers. Strain costs for any ill health retirements are generally treated as a pool charge.
- 2.2 Allowing academy schools to pool can help stabilise the employer contribution rate for the local authority as academy schools tend to have proportionately more contributing members and less members receiving a pension than local authorities. The resulting positive cashflow position of academy schools helps repay any deficit in the pool and reduces the need for the pool to notionally sell asset to other scheme employers in order to meet benefit outgo. All else being equal, a positive cashflow profile results in lower funding position volatility.
- 2.3 As an example, as at 5 July 2018 the Manchester City Council pool has 14,386 active members and 17,850 pensioners. 2,355 (i.e. 16%) of the active members work for academy schools, whereas only 155 (i.e. 1%) pensioner members are former employees of academies.
- 2.4 Transferring the academy schools to an academies pool would significantly increase the net benefit outflow of the MCC Pool. Although the Scheme Advisory Board note is silent on this point, it may also be expedient to transfer the admitted bodies that provide services to academy schools, which would increase the impact further. In addition, only around 30% of Greater Manchester schools have converted to academy status, therefore the ultimate impact could be much more significant.
- 2.5 An academies pool would be highly cashflow positive at outset and the most appropriate investment strategy for this pool may look very different to that of the local authority pools (following transfer of academies). This area will need to be monitored carefully in progressing the proposed work on bespoke investment strategies for employers.

- 2.6 Other key points to note in the proposals are an apparent weakening of the DfE guarantee (effectively all academies in each fund would act as guarantor each other) and that the academy schools would likely be legally ring-fenced from other LGPS employers, which is a new concept in the LGPS.

3. RECOMMENDATIONS

- 3.1 As set out at the front of the report.

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Report To:	GMPF LOCAL PENSION BOARD
Date:	24 July 2017
Reporting Officer:	Sandra Stewart - Director of Pensions Euan Miller – Assistant Director - Pensions (Funding and Business Development)
Subject :	EDUCATION SECTOR EMPLOYERS
Report Summary:	<p>Over recent years, changes in the education sector has increased administrative complexity for Local Government Pension Scheme (LGPS) Administering Authorities and increased resource requirements.</p> <p>The purpose of this report is to provide the Board with an update on national developments relating to education sector employers and recent initiatives designed to improve how academy schools and their contractors interact with LGPS Administering Authorities. Also provided is an overview of Greater Manchester Pension Fund's (GMPF) current administration and funding arrangements in relation to education sector employers.</p>
Recommendation(s):	It is recommended that the Board note the information provided in the report.
Financial Implications: (Authorised by the Section 151 Officer)	There are no direct financial implications arising from this report. However, the PwC academies report highlights funding issues which may have an impact on contribution rates such as the operation of the Department for Education funding guarantee. Some of the approaches put forward in the PwC report may help develop long term operational cost savings.
Legal Implications: (Authorised by the Solicitor to the Fund)	There are no direct legal implications to consider. Any amendments to regulations that are made will be implemented accordingly.
Risk Management:	<p>Increased academy admissions increase the administrative, legal, and funding risks which GMPF is exposed to. In particular poor quality data being provided to GMPF by academies could lead to statutory duties not being met, failure demand and reputational damage.</p> <p>The changes to the insolvency regime for the Further Education sector may also increase funding risks.</p>
ACCESS TO INFORMATION:	<p>NON-CONFIDENTIAL</p> <p>This report does not contain information that warrants its consideration in the absence of the Press or members of the public.</p>
Background Papers:	<p>For further information please contact Euan Miller, Assistant Director – Funding and Business Development, Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden,</p> <p>email: euan.miller@tameside.gov.uk</p>

1. INTRODUCTION

- 1.1 Education sector employers in the LGPS can broadly be categorised into 4 groups as follows:
- Academy schools;
 - Sixth-form colleges;
 - Further education colleges
 - Universities
- 1.2 For the purposes of administering the LGPS, local authority schools are viewed as part of the local authority rather than employers in their own right. However, local authority schools can (and do) outsource functions and the contractors carrying out these outsourced functions often apply for admitted body status in the Scheme.
- 1.3 Over recent years, changes in the education sector has increased administrative complexity for Local Government Pension Scheme (LGPS) Administering Authorities and increased resource requirements.
- 1.4 The purpose of this report is to provide the Board with an update on national developments relating to education sector employers and recent initiatives to improve how academy schools and their contractors interact with LGPS Administering Authorities. Also provided is an overview of Greater Manchester Pension Fund's (GMPF) current administration and funding arrangements in relation to education sector employers.

2. ACADEMY SCHOOLS

- 2.1 The academy programme began with the Academies Act 2010 and the LGPS regulations were amended to allow academies to participate in the Scheme.
- 2.2 The Secretary of State for Education can enter into academy arrangements with organisations that wish to covert from maintained school or sixth form college to academy status; are new schools (including Free Schools and University Technical Colleges) or are required to convert to academy status (due to receiving an inadequate Ofsted inspection).
- 2.3 Academies are Scheme Employers as defined in the LGPS regulations (i.e. not admitted bodies) and are effectively required to offer membership of the LGPS to all employees not eligible for another public sector scheme.
- 2.4 Academies can either be:
- Standalone academies; or
 - Multi Academy Trusts (MATs). Many MATs operate across different regions of England and Wales. Generally all staff are employed by the Trust which sits above the individual schools.
- 2.5 Under the regulations, the relevant LGPS Fund for the academy to join is normally determined by the geographical area in which the staff work, and the majority of academies are created by a conversion from a local authority clearly linked to a specific Fund.
- 2.6 In Greater Manchester, less than 30% of the approximately 1,000 schools have converted to academies. This is a lower conversion rate than many other parts of the country.
- 2.7 The last seven years has seen a proliferation of academisation in line with Government policy (which encourages conversion to academy status) and the increase in the number of academy admissions into the GMPF. A knock on effect of this is the trend for an academy to subsequently outsource groups of non-teaching support staff (such as catering and cleaning), which has resulted in increasing the number of commercial LGPS employers who

become admitted bodies within the Fund. Many of these admission bodies have a very small number of members and only join for a short period of time. More admissions increase the administration and can increase the levels of professional fees incurred.

- 2.8 Schools (both local authority schools and academies) often also outsource their payroll function, or move away from using the local authority payroll. This can have a negative impact on the quality of data administering authorities receive.
- 2.9 Recently, there has also been an increase in the number of Free Schools being created. The LGPS Regulations apply to Free Schools in an identical manner to academies. The term 'academy' in this report is taken to mean either an Academy School or a Free School.

3. AN OVERVIEW OF GMPF'S CURRENT ADMINISTRATION ARRANGEMENTS IN RELATION TO ACADEMY SCHOOLS

- 3.1 There are currently 215 academies participating in GMPF as Scheme Employers and there are 54 new academy applications logged with GMPF.

3.2 Outline of the application process for academies

- Academies are classed as Scheme Employers and therefore no admission agreement is required.
- Prospective academies can apply to GMPF to join the Scheme by completing an application form.
- The prospective academy details on its application form whether it wishes to join an actuarial pool and how the academy's opening funding position will be calculated. Both of these are generally subject to the agreement of the ceding local authority. Please see paragraphs 3.3 and 3.5 for further information about these arrangements.
- If employees are to transfer to the academy at outset (e.g. from the ceding local authority) then a staff list must be provided.
- If staff list appears complete (or is not required) then the actuary is asked to calculate a contribution rate.
- The new academy is then admitted and receives a document outlining the arrangements agreed.

Pooling arrangements

- 3.3 GMPF allow some employers to pool their contributions as a way of smoothing out the impact of experience on contribution rates. Contribution rates are determined by the aggregate funding position of the pool. The pooling options potentially available to academies are:

- Local authority pooling - Some local authorities will allow an academy to be pooled with them for pension purposes and the academy will pay the same employer contribution rate as the pool. Strain costs for any ill health retirements are generally treated as a pool charge
- MAT pooling - An academy that is to be part of a multi-academy trust, may wish to pool with the other academies within the trust. Unlike the above local authority pooling option, all costs incurred as a result of early retirements (including ill health costs) are to be paid for up front by the academy.
- Standalone – If an academy does not wish to be pooled or the local authority or relevant trust will not agree to pooling then the academy will be a 'standalone' employer. The actuary calculates an individual contribution rate and all costs incurred as a result of early retirements (including ill health costs) are to be paid for up front by the academy.

- 3.4 GMPF also has an academies pool. However, this was closed to new academies several years ago following a change to the method used to calculate the opening funding position of academies.

Calculation of opening funding position

- 3.5 If staff are transferring from an existing GMPF employer (such as a local authority) to a new academy school then the actuary is required to calculate the amount of assets transferred to the new academy's sub-fund within GMPF. This determines the opening funding position of the academy school
- 3.6 The options potentially available include:
- i) Fully funded – an amount of assets equal to the current value of the liabilities transfers (i.e. 100% funded).
 - ii) Replicating the funding level of the ceding employer.
 - iii) Transferring whatever assets remain after fully funding the school's deferred and pensioner members (whose benefits will continue to remain liabilities of the ceding employer). In recent years, this method has tended to result in academy schools commencing with a relatively weak funding position (which can result in a high contribution rate) and is the method typically used by GM Local Authorities.

4. FUNDING CONSIDERATIONS FOR ACADEMY SCHOOLS

- 4.1 Following the introduction of academy schools, many LGPS funds tended to set higher contribution rates for academies than for other tax-payer backed employers. This was likely due to a perception that there was a material risk of an academy school closing and being unable to pay off any funding deficit at the point of exit.
- 4.2 To try and mitigate this DfE provided a guarantee for an academy schools' deficit on its closure, which took the form of a Parliamentary Minute. This guarantee is time limited, but it is believed that this is due to a technicality and it would be extended as required.
- 4.3 However, it is not clear how the guarantee would operate in practice. As a result, many LGPS funds continue to use a more prudent approach to funding academy school liabilities.
- 4.4 It is understood that the DfE guarantee also applies to Free Schools. In GMPF's experience, Free Schools are more likely to close unexpectedly than academies, although the accrued liabilities are generally lower.
- 4.5 There are a wide range of funding levels and contribution rates amongst GMPF's academy schools and free schools. This is largely as a result of the application of the method set out in 3.6i (iii) to determine the opening funding position, the results of which can be quite sensitive to market conditions. The lowest academy contribution rates are around 15% of Pensionable Salary with a small number of academy schools paying contribution rates of around 30%.

5. ACADEMIES INFORMATION NOTE

- 5.1 In April 2017, the Local Government Association (LGA) in conjunction with the Department for Education (DfE) and the Department for Communities and Local Government (DCLG) published a document providing information for academies on participating in the LGPS. Administering authorities were encouraged to pass this note on to their academy employers (or schools considering conversion).
- 5.2 One of the intentions of the document is to help ensure a more consistent treatment of academy schools across LGPS funds.

- 5.3 However, GMPF officers have concerns about the document's accuracy in certain aspects. For this reason GMPF has only given minimum publicity to this document, highlighting in a recent monthly employer bulletin, but not making it available on the employer section of the website.
- 5.4 Indications are that GMPF is not the only LGPS fund expressing concerns about the document and as a result the LGA are collating comments. Officers have provided feedback to the LGA and made recommendations on how the document could be improved.
- 5.5 The comments received by the LGA will be discussed with DCLG and DfE with a view to considering whether an updated version of the document needs to be issued.
- 5.6 The information note is attached at **Appendix 1**.

6. PWC ACADEMIES REPORT

- 6.1 In May 2017, the LGPS Scheme Advisory Board published the PwC report, "Options for Academies in the LGPS". The report was commissioned by the Scheme Advisory Board in 2016 to look into the issues associated with the participation of academies in the LGPS.
- 6.2 The report does not make any recommendations, but draws together issues from PwC's discussions with various stakeholders.
- 6.3 From the issues discussed three key themes emerged:
- Policy, governance and outsourcing – in relation to DfE's overall policy for the academies programme, associated guidance to School Business Leaders, governance arrangements and the prevalence of outsourcing of academy functions;
 - Administration and operations – the issues resulting from the participation of many academies and MATs in LGPS Funds, categorised broadly along the themes of the quality of data and payroll providers, interactions between parties and resourcing issues; and
 - Contributions and finance – considering consistency in initially establishing and then regularly re-calculating contributions payable by academies and actuarial financing issues along the themes of pooling for funding, employer covenant, the role and value of the DfE guarantee to the LGPS and the legal definition of an LGPS employer.
- 6.4 The report sets out the three approaches agreed with the Scheme Advisory Board Secretariat to handling pension provision. These are:
- Improving LGPS processes and IT, and delivering effective guidance on supporting academies (this would effectively build on the document covered in section 5 above).
 - Using new regulations within the LGPS to drive changes (this could mandate specific approaches to administering academies or consolidate all academies in a single LGPS fund).
 - Implementation outside the LGPS (for example, moving academy support staff to the Teachers' Pension Scheme).
- 6.5 Current understanding is that an "in-scheme" solution is preferred to resolve the identified issues and there are no plans to transfer all academies to a single LGPS fund, as had been rumoured. Although agreeing to focus on solutions within the Scheme at this stage, Ministers were also clear that should these not prove effective, more radical measures, potentially outside of the LGPS would not be completely ruled out.

- 6.6 Publication of the report will enable the Scheme Advisory Board to engage with key stakeholders including LGPS funds, actuarial firms and academy trusts as appropriate on the issues raised by those interviewed by PwC. The Scheme Advisory Board will continue to gather relevant evidence and then develop specific proposals for change before submitting its recommendations to Ministers for their consideration.
- 6.7 The report can be viewed on the Scheme Advisory Board website (<http://www.lgpsboard/>).
- 6.8 **Appendix 2** provides a commentary on the report from the Funds actuary, Hymans Robertson.

7. SIXTH-FORM COLLEGES

- 7.1 Up until the 2016 valuation, most of GMPF's sixth-form colleges were pooled together for the purposes of calculating contribution rates and for funding ill-health early retirement strain costs.
- 7.2 Due to some sixth-form colleges looking to convert to academy status and form MATs with schools the pool was broken up with effect from 1 April 2016 and each college has had an individual contribution rate calculated. Consideration is currently being given to whether the pooling of ill-health strain costs can continue.
- 7.3 The sixth-form college pool was relatively well funded (close to 100% at the 31 March 2016 valuation), therefore most sixth-form colleges contribution rates are towards the lower end of the range for GMPF employers. Contribution rates range from 15.4% of Pensionable Salary (Rochdale Sixth-form) to 21.2% + £40,000 per annum (Cheadle and Marple sixth-form, which was not part of the sixth-form college pool). Total liabilities at the valuation date were approximately £60m (around 0.3% of GMPF).
- 7.4 Whilst it has not been clearly communicated, current indications are that the DfE guarantee for academy schools also applies to sixth-form colleges.

8. FURTHER EDUCATION COLLEGES

- 8.1 Over the past couple of years, Government has undertaken area reviews of post-16 education. The reviews have often recommended mergers, although no mergers of Further Education (FE) Colleges have yet taken place in Greater Manchester. We are aware of one FE College which is due to merge with a university that also participates in GMPF.
- 8.2 During 2016 the Department for Business, Innovation and Skills undertook a consultation on developing an insolvency regime for the FE and Sixth-form college sector. It became clear that, despite FE Colleges being required by the LGPS Regulations to admit their employees to the Scheme, Government consider FE Colleges to be commercial entities rather than public bodies on the government's books (albeit operated on a non-for-profit basis), and therefore cannot be covered by explicit government guarantees of the type that cover academies' LGPS liabilities.
- 8.3 Current understanding is that the insolvency process for FE Colleges has not been tested in practice as struggling colleges have typically been subsumed by other local colleges, following Government intervention, with assets and liabilities transferring in full. However, a prudent approach from GMPF's perspective may be to assume the insolvency process would work in broadly the same way as for a limited company. There is therefore a risk that GMPF does not fully recover any deficit, should a college terminate its participation unexpectedly.

- 8.4 Most commercial entities participating in GMPF are required to obtain a guarantee from a tax-raising body as a condition of entry, however, given FE College's status as a Scheme Employer (rather than an admitted body) under the regulations, the view of GMPF's legal team is that it is not appropriate to make similar demands on FE colleges. However, GMPF would be willing to consider accepting some form of security as part of any discussion regarding contribution rates with colleges.
- 8.5 At the 31 March 2016 actuarial valuation there were 10 FE colleges participating in GMPF. The total value of the liabilities of the 10 colleges was £438m (around of 2.5% of GMPF's total liabilities) and the average funding level was 94%. The funding levels ranged from 87% to 100%. Funding levels are likely to have improved since the valuation date.
- 8.6 The contribution rates of the FE colleges ranged from 16.8% of Pensionable Salary (Oldham College) to 23.8% (Trafford College). Bolton College pay a rate of 18.0% of Pensionable Salary plus additional contributions of approximately £250,000 per annum.
- 8.7 Most of the colleges have a relatively mature membership profile, broadly similar to the local authorities, with benefits paid out generally exceeding contributions paid in.

9. UNIVERSITIES

- 9.1 In a similar vein to FE Colleges, it is clear that Government views universities as commercial entities (with charitable status), but the insolvency process has not been tested.
- 9.2 The following universities participate in GMPF:
- Salford University
 - Manchester Metropolitan University ('MMU')
 - The University of Manchester
 - The University of Bolton
 - Liverpool Hope University
- 9.3 MMU and The University of Bolton are Scheme Employers under the LGPS Regulations and are therefore required to admit non-teaching staff to the Scheme, whereas the other universities listed above are admission bodies.
- 9.4 Most, if not all of the above will have significant liabilities in the Universities Superannuation Scheme in respect of their teaching staff. The University of Manchester also operates its own defined benefit scheme and Salford University and Liverpool Hope University may also have other defined benefit pension arrangements. Most, if not all of the above will also have borrowings secured against some of their assets.
- 9.5 Broadly speaking the funding approach at the 2016 valuation was to treat the universities which are Scheme Employers in a similar manner to FE Colleges. The funding approach for the universities that are admission bodies targets full funding by the universities' expected date of exit (i.e. when their last active member leaves or retires). The University of Manchester has not admitted any new entrants for some time and therefore full funding is being targeted over a relatively short period.
- 9.6 At the 2016 valuation the total liabilities of the 5 universities was £621m (around 3.5% of GMPF's total liabilities). Funding levels ranged from 92% to 95%. Contribution rates range from 19.1% of Pensionable Salary (Liverpool Hope) to 22.9% plus around £750,000 p.a. (The University of Manchester).

10. RECOMMENDATIONS

10.1 It is recommended that the Board note the information provided in the report.

Scheme Advisory Board

Meeting of the Board 27th June 2018

ITEM 4 Paper B

Academies Project

Background

1.1 At its meeting in November 2017, the Board agreed to establish two working groups, one on administration and the other on funding, to take forward the Board's agreed project plan.

1.2 Both working groups have met three times in 2018. At its first meeting, the administration working group agreed to establish a sub-group to examine the scope for introducing a single monthly data extract.

Administration working group

1.3 The working group together with the sub-group has met on three occasions in 2018. The work of the group is focussed on 4 key areas :-

- More consistency in pensions administration
- More effective communication
- Improved training at local, regional and national level, and
- Clarifying the duties and responsibilities of stakeholders

1.4 When it met in January 2018, the group agreed that the major obstacle to improving pensions administration within the academy sector is inconsistency in the data extracts required by different administering authorities bearing in mind that academies within an individual MAT often straddles over a number of individual authorities. Further problems were identified with the multiplicity of payroll providers with varying levels of capacity and effectiveness and the limitations associated with annual data reconciliations.

1.5 The group therefore agreed to invite Colin Lewis from Aquila Heywood to the meeting in March 2018 to outline the i-connect facility which is used by a number of academy and other scheme employers as an employer portal. It was agreed

that a sub-group should be established to formulate a draft monthly single data extract based on the 54 data items included in the i-connect package. The sub-group met in May 2018 and agreed the draft data extract shown at Annex A.

1.6 Introducing a universal monthly data extract will both introduce greater levels of consistency in pensions administration and data collection and free up valuable resources by significantly reducing the time spent on end of year data reconciliations. It would also pave the way to create a “kite mark” for pensions payroll providers to ensure that they are capable of providing the payroll data required by the universal data extract. Another key component of the proposal would be the introduction of a standard employer portal that would act as a buffer and filter between scheme employers and administering authorities.

1.7 The working group is fully aware of the degree of change that the introduction of a universal monthly data extract would entail for payroll providers, scheme employers, software providers, administering authorities and their pensions administration systems. However, there is a clear consensus within the group that the move to a universal monthly data extract, coupled with a standard employer portal, would, despite the changes involved, significantly increase the effectiveness of pensions administration within the academies sector.

1.8. At this stage, the Board needs to be aware that a proposal of this scope and potential advantage has a clear application beyond just the academy sector and that any final recommendations made by the working group will need to be considered by the Board in the context of the scheme as a whole.

Recommendation – that the Board notes the work of the administration working group to date and approves the continuation of the sub-groups work to formulate a universal monthly data extract for future consultation with key stakeholders.

Funding working group

2.1 The funding working group is exploring proposals to standardise conversion methodologies, move to single future service rates within each LGPS fund and to better enable MATS to consolidate their schools in one LGPS fund.

2.2 The proposal to standardise conversion methodologies arises from a variety of approaches adopted by local fund actuaries including share of fund; consistency with local authority and active cover and the academy sector’s need for more fairness and consistency in the way that conversions are conducted.

The four actuarial firms were asked by the working group to consider and agree a common approach to conversion.

2.3 When the group met in January 2018, John Dignan (GAD/DfE) explained that at the 2016 valuation the academy sector paid on average a 21% employer contribution rate (primary + secondary) compared to 23% for local authority employers. Funding levels for both sectors were 73% and 84% respectively. On deficit recovery periods, academies were treated broadly similar to local authority employers.

2.4 GAD went on to explain that with a single, uniform contribution rate of 21%, there would be 2,300 winners and 2,600 losers with the net effect being a loss to the scheme of £47 million.

2.5 The group has since met on 14th March and 24th May with a further actuarial meeting on 11th June. The group considered options for achieving the following objectives;

- Ring-fence the liabilities of academies from other fund employers and vice versa
- Minimise the impact on assets and cash-flows of each LGPS fund
- Achieve a common future service rate for academies
- Achieve over time a common deficit contribution rate for academies
- Standardise the conversion methodology for academies



2.6 An option to achieve these objectives from the group is to be discussed at the meeting of the DfE academy working group on 20th June. The outline of that option is;

- The creation of ring-fenced pools within each English LGPS fund for new academies with a single methodology on conversion
- For existing academies to be transitioned into the pool and onto the pool rate over an appropriate period of time
- For MATs will be able to consolidate their schools into a single pool but to minimise movement of MATS across funds once they are consolidated
- DfE guarantee to be adapted to 'stand behind' pools (methodology to be agreed)

2.7 It is important to note that the above does not meet the DfE primary aim of a common academy rate across funds and therefore they may wish to consider if the benefit of moving to a common rate within funds is something they wish to pursue.

2.8 Feedback from the DfE working group will be provided at the Board meeting

Recommendation – that the Board notes the work of the funding working group to date and agrees that subject to the feedback from DfE continues to develop the option outlined in paragraph 2.7 above.

Report To:	GMPF LOCAL PENSION BOARD
Date:	9 August 2018
Reporting Officer:	Sandra Stewart, Director of Pensions Euan Miller, Assistant Director of Pensions (Funding and Business Development)
Subject:	GAD'S SECTION 13 VALAUTION
Report Summary	The 2016 LGPS valuations in England and Wales will be the first to be reviewed under the framework set out in Section 13 of the Public Service Pensions Act ("S13"). This report summarises the purpose of the Section 13 valuation and the implications for GMPF.
Recommendations:	Board members are recommended to note the report.
Policy implications:	None.
Financial Implications: (Authorised by the Section 151 Officer)	Employer contribution rates in the LGPS are determined by the triennial actuarial valuation process. The latest actuarial valuation took place with an effective date of 31 March 2016 and determined contribution rates for the period between 1 April 2017 and 31 March 2020. The Section 13 valuation has no direct impact on contribution rates, but its existence may help ensure that all funds set contributions at an appropriate level.
Legal Implications: (Authorised by the Solicitor to the Fund)	It is a statutory requirement for an actuarial valuation of the Fund to be undertaken every three years. The work carried out must comply with the relevant regulations and professional standards. The Section 13 valuation process helps ensure that this is the case.
Risk Management:	A key risk when administering the LGPS is that an employer fails whilst its sub fund is in deficit. The valuation adjusts employer contribution rates with the aim of matching asset and employer values in the future, in line with the GMPF's Funding Strategy Statement.
ACCESS TO INFORMATION:	NON-CONFIDENTIAL This report does not contain information which warrants its consideration in the absence of the Press or members of the public.
Background Papers:	For further information please contact Euan Miller, Assistant Executive Director – Funding and Business Development.  Telephone: 0161 301 7141  e-mail: euan.miller@tameside.gov.uk

1. BACKGROUND

- 1.1 The 2016 LGPS valuations in England and Wales will be the first to be reviewed under the new framework set out in Section 13 of the Public Service Pensions Act ("S13"). This piece of primary legislation requires that an appointed person, in this case, the Government Actuary's Department ("GAD"), reports on whether each LGPS fund's formal funding valuation adheres to the following criteria.

Compliance – to confirm the valuation has been carried out in accordance with the LGPS Regulations

Consistency – to confirm the valuation is not inconsistent with other LGPS funds' valuations and that differences in assumption and methodology can be justified and evidenced

Solvency – to confirm contributions are sufficient to ensure solvency

Long term cost efficiency – to confirm contributions are sufficient to meet benefit accrual and repay any existing deficit

- a. If GAD has concerns about LGPS funds under any of these measures then they can recommend remedial actions (such as imposing a given level of contributions on employers in the fund) which may ultimately be enforced by MHCLG using powers granted under the legislation.
- b. GAD is due to release its Section 13 report over the next few weeks.

2. APPROACH

- 2.1 In summary, GAD will calculate a number of metrics for each of the LGPS funds using consistent actuarial assumptions. Funds will be ranked in a league table based on these metrics and assigned a RAG (Red/Amber/Green) status against each metric to identify those funds that may need to take action. The absolute value of the assumptions in the chosen actuarial basis is not important – the important fact is that all LGPS funds are measured on the same assumptions, allowing comparison across funds.
- 2.2 It has come to light over the past few months that the scope of GAD's work is perhaps wider than many had envisaged. As part of their solvency tests GAD have been attempting to analyse how funds would withstand asset and liability 'shocks' (i.e. sudden changes to the values of assets and liabilities) and whether this would have an impact on the ability of the underlying local authorities to provide services.
- 2.3 GAD has informed GMPF that it would have received an amber flag for the asset shock, if it had been in deficit post asset shock, however as it is in surplus post asset shock the fund is not flagged. Both GMPF and its actuary, Hymans Robertson, have written to GAD questioning the appropriateness of its approach. GAD's analysis is attached as **Appendix 1** for information. Responses of the Fund and Hyman's the Fund's actuaries are attached. at **Appendix 2**.
- 2.4 Officers' understanding is that GMPF will not be receiving any flags on any other measure.

3. RECOMMENDATIONS

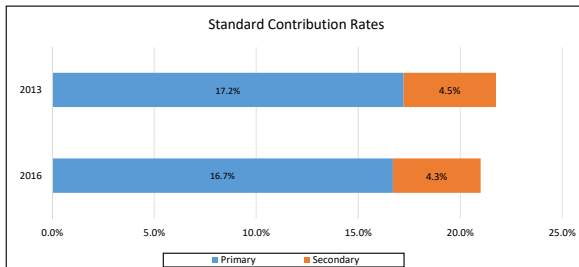
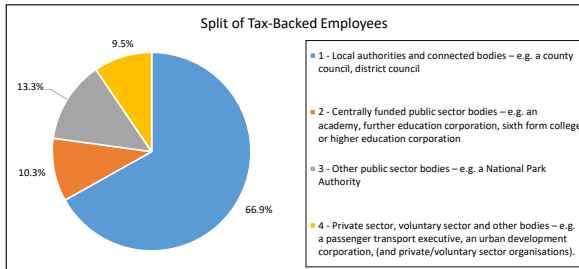
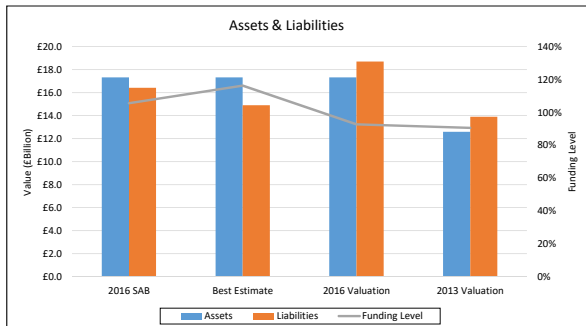
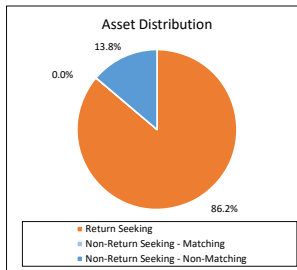
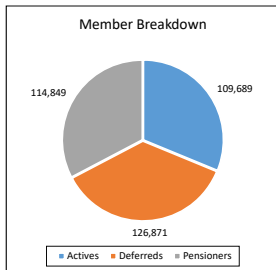
- 3.1 As set out on the front of the report.



Government Actuary's Department

Greater Manchester Pension Fund

This document is intended only for discussions between GAD, the relevant Local Authority and their actuary



Local Authority	Core Spending (£m)	Core Spending (%)
Total	£2,138.8	100.0%
Manchester	£419.1	19.6%
Wigan	£220.3	10.3%
Salford	£207.5	9.7%
Stockport	£206.0	9.6%
Bolton	£202.3	9.5%
Oldham	£181.9	8.5%
Rochdale	£169.7	7.9%
Tameside	£164.1	7.7%
Trafford	£143.3	6.7%
Bury	£126.9	5.9%
Greater Manchester Fire	£97.5	4.6%

Solvency Breakdown	
Asset Shock	
Assets are divided into the following classes:	
Return seeking - Equity, Property, Infrastructure debt & other return seeking assets	
Non-return seeking - All other assets	
Return seeking assets are stressed by reducing them by 15%	
New deficit allocated to tax-raising authorities	
= (Pre-stress asset value - Post-stress asset value) × % Tax backed employees	
This deficit is then spread over 20 years of annual payments, and compared to the fund's core spending	
	£m
Pre-stress asset value	£17,324.6
Return seeking assets	£14,931.8
Non-return seeking assets	£2,392.8
Post-stress asset value	£15,084.9
Return seeking	£12,692.0
Non-return seeking	£2,392.8
Percentage of tax-backed employees (Group 1 + Group 3)	80.2%
New deficit allocated to tax raising authorities	£1,796.4
Annual deficit payment (spread over 20 years)	£105.1
Total core spending	£2,138.8
Deficit percentage of core spending	4.9%
Deficit percentage of core spending (allowing for post-asset shock surplus)	Surplus
Liability Shock	
Non-matched liabilities are stressed by increasing them by 10%	
New deficit allocated to tax-raising authorities	
= (Post-stress liability value - Pre-stress liability value) × % Tax backed employees	
Deficit is spread over 20 years and compared to the fund's core spending	
	£m
Liability value pre-stress (GAD's best estimate calculation)	£14,902.5
Liability value post-stress	£16,392.7
New deficit allocated to tax raising authorities	£1,195.2
Annual deficit Payment (spread over 20 years)	£69.9
Deficit percentage of core spending	3.3%
Deficit percentage of core spending (allowing for post-liability shock surplus)	Surplus
Employer Default Shock	
Determine funding level on GAD's best estimate basis	
If the fund is in deficit, non-tax backed deficits are allocated to tax-backed	
The non-tax backed deficit is spread over 20 years and compared to the fund's core spending	
	£m
Deficit on best estimate basis	£0.0
Proportion of deficit allocated to non-tax raising authorities	£0.0
Annual deficit payment (spread over 20 years)	£0.0
Deficit percentage of core spending	Surplus

Solvency Breakdown (continued)	
Fund Open/Closed	Open
SAB Funding Level	105.5%
Percentage of Non-Statutory Employees (Group 3 + Group 4)	22.8%
Long Term Cost Efficiency	
Deficit Recovery Period	
Implied deficit recovery period calculated on a standardised market consistent basis	
Recovery period (years)	Surplus
Required Return	
Required investment return rates to achieve full funding in 20 years' time on the standardised market consistent basis	
Required return under best estimate basis	3.0%
Repayment Shortfall	
Difference between the actual deficit recovery contribution rate and the annual deficit recovery contributions required as a percentage of payroll to pay off deficit in 20 years, where the deficit is calculated on a standardised market consistent basis	
Annual deficit recovery payment as % of implied 2016/17 payroll	0.0%
Actual contribution rate paid less SCR on best estimate basis	8.9%
Difference	8.9%
Return Scope	
Required investment return rates as calculated in required return, compared with the fund's expected best estimate future returns assuming current asset mix maintained	
Expected return	6.0%
Required return	3.0%
Difference	3.0%
Deficit Recovery Plan	
Consideration of how the deficit recovery plan has changed compared to 2013 valuation	
Valuation	2013 2016
Deficit Recovery End Point	2033 2036
2013 Common Contribution Rate	21.8%
2014/15 Average Employer Contribution Rate	18.0%
2016 Standard Contribution Rate	21.0%
Increase in contributions to 2016	
From 2013 Common Contribution Rate	-0.8%
From 2014/15 Average Employer Contribution Rate	3.0%
Increase in deficit recovery end point (years)	3

Minor inconsistencies in totals may occur due to rounding.

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APPENDIX 2

From: Steven Law [mailto:steven.law@hymans.co.uk]
Sent: 02 August 2018 09:10
To: Sandra Stewart; Euan Miller
Cc: Catherine McFadyen
Subject: FW: Section 13 Engagement - Greater Manchester Pension Fund

From: Steven Law
Sent: 02 August 2018 09:10
To: 'John Bayliss' <John.Bayliss@gad.gov.uk>; 'Oscar.CastroLado@gad.gov.uk' <Oscar.CastroLado@gad.gov.uk>
Cc: 'Sheila Owen' <Sheila.Owen@communities.gsi.gov.uk>; Catherine McFadyen <Catherine.McFadyen@hymans.co.uk>
Subject: Section 13 Engagement - Greater Manchester Pension Fund

John/Oscar,

I note the email below to GMPF. We are glad you have decided to drop the flag given that the Fund retains a surplus even after the crude asset shock test.

Given that, it seems unhelpful to include reference to the Fund in the appendix and highlight that they would have raised a flag if the Fund's circumstances were materially different. Many funds would fail many different flags if their circumstances were different!

GMPF are well aware of the risks associated with investment in growth assets and have extensively analysed these. The Fund has mitigation plans to not only manage equity downturns, but to also take advantage of these events were they to materialise.

If you have any questions or require any further evidence of the Fund's strategies and mitigation plans for handling poor equity markets, please do let me know.

Kind regards

Steven

Steven Law
for and on behalf of

Hymans Robertson LLP
20 Waterloo Street | Glasgow | G2 6DB

D 0141 566 7961

www.hymans.co.uk | www.clubvita.co.uk  



From: Oscar Castro Lado [<mailto:Oscar.CastroLado@gad.gov.uk>]
Sent: 20 July 2018 12:51
To: Sandra Stewart; Euan Miller; 'steven.law@hymans.co.uk'
Cc: 'Sheila Owen'; John Bayliss; Charlotte Stewart; DCLG LGPS Filing
Subject: Section 13 Engagement - Greater Manchester Pension Fund

All,

Further to my previous emails, we are contacting you regarding the asset shock for Greater Manchester Pension Fund. The attached document provides a breakdown of the data used by GAD and the methodology for the asset shock, other solvency measures and LTCE.

This email is part of our formal engagement and we wanted to inform you that **the fund triggered the asset shock measure, but as it is in surplus on our best estimate basis after the shock, we do not intend to raise a flag**. Currently, we plan to mention this scenario, but only name the fund in the Solvency appendix. The reason is that the fund is well funded, but if such an event happened, a significant part of the surplus would be eliminated, and this would bring forward the likelihood of needing to pay additional contributions.

Asset shock explanation

Our asset shock measure is a stress test that looks at the impact of a sustained downturn in markets, which would normally require specific action to resolve the emerging deficit (in the form of additional contributions). Those additional contributions would form a large portion of the core spending power of the underlying authorities, which would then have an impact on ability to provide core services.

We have adopted the following approach for the asset shock:

- (1) Shock assets by reducing the value of return-seeking assets (e.g. equity) by 15%
- (2) Calculate the additional deficit amount that arises as a result of asset shock, and allocate this to:
 - (a) employers who **are** funded through core spending
 - (b) employers who **are not** funded through core spending
- (3) Spread the deficit from (2a) over a 20 year period
- (4) Determine the percentage of core spending that would be used to cover the yearly deficit from (3)
- (5) Determine whether the fund is a green, amber or red flag, based on the size of the percentage in (4)
- (6) If the fund is in surplus following the asset shock then the fund is not flagged, regardless of the flag colour in (5)

The Greater Manchester Pension Fund would have flagged (amber) for the asset shock, if it had been in deficit post asset shock, however since it is in surplus post asset shock (point (6)) the fund is not flagged.

We are happy to discuss further if you have any questions.

Regards
Oscar

Oscar Castro Lado | Trainee Actuary | Government Actuary's Department
Finlaison House | 15-17 Furnival Street | LONDON | EC4A 1AB
oscar.castrolado@gad.gov.uk | 020 7211 3440



**Greater Manchester
Pension Fund**

Administered by



BY EMAIL

oscar.castrolado@gad.gov.uk

STRICTLY PRIVATE & CONFIDENTIAL

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Trainee Actuary

Government Actuary's Department

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15-17 Furnival Street

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EC4A 1AB

Sandra Stewart

Director for Governance & Pensions

**Solicitor to the Fund & Statutory Monitoring
officer**

Guardsman Tony Downes House

5 Manchester Road, Droylsden

Tameside, M43 6SF

Tel: 0161 342 3028

Email: Sandra.stewart@tameside.gov.uk

Website: www.gmpf.org.uk

Date: 02 August 2018

Dear Oscar,

**Section 13 Engagement - Greater Manchester Pension Fund
ASSET SHOCK FOR GREATER MANCHESTER PENSION FUND**

Thank you for your email of the 20 July 2018, and the courtesy you have shown in sharing with us a breakdown of the data used by GAD and the methodology for the asset shock, other solvency measures and LTCE in advance of publication.

I note the comprehensive explanation you have provided as to the thorough testing that you have applied and the basis upon which it was undertaken.

I would also like to thank you for the time and trouble you have taken in liaising with our actuaries, Hymans, to reach your final conclusion, which we can all have trust and confidence in and supports, rather than undermines your own thorough analysis, in light of the fact the Fund retains a surplus even after your asset shock test.

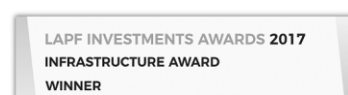
That said I was rather disappointed and surprised to note that you intend to include reference to the Fund in the appendix and highlight that the Fund would have received a flag if the Fund's circumstances were materially different.

This appears to be to be contrary to principles of Wednesbury reasonableness and rationality in that you appear to be going against your own process and flagging the outcome you expected or intended and not the one you actually got.

Indeed, is it not a corollary that all and any of the funds would fail many different flags if their circumstances were different. Hence the purpose of your thorough and comprehensive testing to the same standard, principles and basis at a moment in time and in line with your terms of reference, which you appear to be undermining or not applying with the rigour that you say you value –

<https://www.gov.uk/government/organisations/government-actuarys-department/about/terms-of-reference> refers.

We therefore do not accept or agree with the approach being adopted and we are formally putting on record.



GMPPF are well aware of the risks associated with investment in growth assets and have extensively analysed these. The Fund has mitigation plans to not only manage equity downturns, but to also take advantage of these events were they to materialise and we formally review these quarterly.

The Fund also received a very strong report from our external Auditors Grant Thornton, who tested our systems, validity of data and risk management approach. I attached a copy of that report received and presented to the Funds Management Panel on Friday for your information and the final letters received yesterday.

I would invite you to reconsider the indirect flag you still intend to raise in your appendix.


If you have any questions or require any further evidence of the Fund's strategies and mitigation plans for handling significant falls in equity market values, please do let me know.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S Stewart', with a stylized flourish at the end.

Sandra Stewart
Director & Solicitor to the Greater Manchester Pension Fund

Report To:	GMPF LOCAL PENSION BOARD
Date:	9 August 2018
Reporting Officer:	Sandra Stewart - Director of Pensions Emma Mayall – Pensions Policy Manager
Subject :	ADMINISTRATION BUSINESS & PROJECT PLANS
Report Summary:	<p>This report provides the Local Board with a summary of the following:-</p> <ul style="list-style-type: none">- An update on the 2018/19 business planning objectives set by the Administration section- A summary of the other strategic or service improvement administration projects being worked on currently- Comments on regular and other items of work currently being undertaken by the section
Recommendation(s):	It is recommended that the Board note the information provided within the report.
Financial Implications: (Authorised by the Section 151 Officer)	Some projects and business plan items will incur costs. These are highlighted within the report and wherever possible, provision for these costs has been made within the budget.
Legal Implications: (Authorised by the Solicitor to the Fund)	Some business plan and project items are linked to statutory requirements. Carrying out the Guaranteed Minimum Pension reconciliation exercise is a HMRC requirement. Statutory requirements are also imposed by the Pension Regulator.
Risk Management:	Good business and project planning is essential when trying to deliver an excellent service at low cost. Failure to plan properly can lead to resources not being used effectively, additional costs being incurred and deadlines not being met.
ACCESS TO INFORMATION:	NON-CONFIDENTIAL This report does not contain information that warrants its consideration in the absence of the Press or members of the public.
Background Papers:	<p>The background papers used in this report are listed below.</p> <p>Local Government Pension Scheme Regulations 2013 http://lgpsregs.webdigi.co.uk/schemeregs/lgpsregs2013/timeline.php</p> <p>The Pensions Regulator Code of Practice 14 http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx</p> <p>Further information can be obtained by contacting Emma Mayall, Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden</p>

 Telephone: 0161 301 7242

 e-mail: emma.mayall@gmpf.org.uk

1. BACKGROUND AND INTRODUCTION

- 1.1 Five key business plan items for the administration section were established in April 2018. This report provides the Local Board with an update on the progress made so far.
- 1.2 The section is working on a number of other projects in addition to these key business plan objectives. A brief summary of these is also provided within this report.
- 1.3 Details of a number of regular work items undertaken are included as part of this update report.

2. KEY BUSINESS PLAN ITEMS AND PROJECTS FOR 2018/19

- 2.1 Work is being carried out on the key business plan items and projects planned for this financial year, which are:

Ref.	Summary Title	Objectives
1	Structure review and staff engagement	To review and revise the structure of the administration section to ensure it is best placed to manage current and anticipated future workloads and projects. In addition, to ensure that all members of the team are fully engaged to deliver the best possible service.
2	Employer support	To improve the support provided to all fund employers, including improved communication, training, website and reference material and exchange of information
3	Member communication	To improve and develop our communication methods and increase our use of on-line tools (such as My Pension and on-line videos)
4	Altair developments and workflow reform	To maximise use of the Altair administration system, to ensure processes are as efficient as possible and enabling an excellent service to be provided to members. In addition, to review and reform the use of Altair workflow, to take advantage of system developments and improve management data output.
5	Move to monthly pay and contribution returns	To investigate a switch from receiving annual pay and contribution returns from employers to receiving them monthly, with a view to implementing this at some point in the future.

- 2.2 Significant progress has been made on four of the objectives since April.
- 2.3 Work on item 1, Structure review, has commenced. A new model for a revised team structure has been identified. Work on updating existing job descriptions and drafting documentation for evaluating new posts is currently underway.
- 2.4 For item 3, Member communication, the new My Pension module was successfully implemented at the beginning of July. Existing pensioners who had registered for the previous version were notified about the upgrade and Stockport MBC members were also notified when they were issued with their annual benefit statement at the end of July. All other active members will receive details of how to register with their annual benefit statements in August. Work will then commence in the autumn of notifying all remaining pensioners and deferred members.

- 2.5 Regarding item 4, the Director of Pensions and Pensions Policy Manager met with the Chief Executive and Group Client Director from Aquila Heywood in May and agreed to embark on a joint project to deliver a programme of change that will benefit both parties. Work on setting out the terms and objectives of this project will begin in the next quarter.
- 2.6 Significant progress has also been made with item 5, with the establishing of a testing platform to evaluate monthly returns software. The Pension Administration Working Group agreed in June that work should begin on the transition to monthly returns if the software evaluation work is completed successfully.

3. OTHER STRATEGIC AND SERVICE IMPROVEMENT PROJECTS

- 3.1 The administration section is currently working on a number of other projects. The table below provides brief details of these together with any key points of note.

Ref.	Summary Title	Update
PR2	GMP Reconciliation	Work is continuing in line with the project timeframe. Response times from HMRC have slowed down recently, which was anticipated as the end of year deadline approaches. However, there are no concerns at this point that tasks will not be completed as planned.
PR9	Year-end processing	This project is now essentially complete, with only one or two minor tasks remaining.
PR11	Death grant process review	Work on reviewing and improving the process by which the beneficiaries of death grants are determined and paid has continued. The Death Grant Discretion Board has continued to meet each month to reach decisions on current cases, as well as identifying improvements to the overall process.
PR12 /22	Data and The Pensions Regulator (TPR)	Work has progressed on reviewing compliance against the Code of Practice 14 and other TPR related tasks.
PR23	Valuation 2019	A meeting was held in May with Hymans Robertson to discuss work that can be done in advance of the 2019 Valuation commencing. A number of actions were identified including the production and upload of files to test software. Testing software at an earlier stage will identify any issues with the data upload allowing sufficient time for any required software updates to be made in the January release.
PR33	GDPR	The new General Data Protection Regulations (GDPR) came into effect on 25 May 2018. All processes are being mapped and assessed to ensure compliance with Data Protection Regulations and that steps are taken to mitigate any risks of data breaches. A 'Memorandum of Understanding' has been drawn up to document formally the relationship between GMPF and its employers and to outline expectations relating to data.
PR35	Annual Report 2018	Work on the production the annual report 2018 has now been completed. A comprehensive timetable and work plan was drawn up, regular meetings took place and the deadline for issue achieved.

PR36	PASA accreditation	The Pensions Administration Standards Association (PASA) has an independently assessed accreditation programme to recognise high standards of administration. Officers will be working with PASA over the coming months to attain this accreditation. Further work has been undertaken on identifying the evidence that needs to be collated in order to demonstrate GMPF meets the required standards. GMPF have also consulted with Lothian Pension Fund on their experience of the accreditation process. Work on this will continue over the next quarter.
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4. UPDATES ON REGULAR WORK ITEMS

- 4.1 In general, day to day administration performance levels remain unchanged.
- 4.2 GMPF met with representatives from all 10 Local Authorities in June and July to discuss key items and performance. The aim of these meetings is to ensure that Local Authorities are aware of their responsibilities and to explore ways in which GMPF can best use the resources available to support Local Authorities. Areas of discussion included year-end, annual allowance, annual benefit statements, audit reports and regulatory changes. The meetings were also used as an opportunity to provide employers with a demonstration of the My Pension module.
- 4.3 Work has been taking place to ensure annual benefit statements for active members are issued before the end of August.
- 4.4 GMPF has also been involved in testing the next software release of Altair, due to be implemented in August.

5. RECOMMENDATION

- 5.1 As set out at front of report.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Report To:	GREATER MANCHESTER PENSION FUND LOCAL BOARD
Date:	9 August 2018
Reporting Officer:	Sandra Stewart, Director of Pensions Paddy Dowdall Assistant Director (Local Investments and Property)
Subject:	GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2017-2018
Report Summary	This report was submitted to GMPF Panel on 20 July for information and Board Members are asked to note the completion of the governance arrangements previously reported to the Board. It should be noted that the Auditors have given a clean bill of health and the accounts are unqualified.
Recommendations:	Members are asked to note <ul style="list-style-type: none">(i) The completion of governance arrangements for approval of Greater Manchester Pension Fund (GMPF) accounts.(ii) The Audit Findings Report from Grant Thornton(iii) The Annual Report
Policy Implications:	None.
Financial Implications: (Authorised by the Section 151 Officer)	<p>As the administering authority, Tameside MBC has important responsibilities in relation to GMPF. As the largest fund in the Local Government Pension Scheme, GMPF also has significant resources it deploys to meet those responsibilities. This paper sets out where the responsibilities lie.</p> <p>The assumptions used for valuing assets will have an impact on the value of assets reported in the accounts. In most circumstances the impact is unlikely to be material. For equities and bonds a bid basis is used that results in a more prudent outcome (compared to mid or offer prices).</p>
Legal Implications: (Authorised by the Solicitor to the Fund)	The administering authority must produce an annual report and accounts in line with statutory provisions.
Risk Management:	GMPF's accounts are used to provide information to a variety of users and for a variety of purposes. The accuracy of the statements is critical in the determination of employer costs and there are clearly reputational issues relating to the validity of the accounts. The audit process provides reassurance on the integrity of the statements and mitigates against the possibility of material misstatement

ACCESS TO INFORMATION:

NON-CONFIDENTIAL

This report does not contain information which warrants its consideration in the absence of the Press or members of the public.

Background Papers:

For further information please contact Paddy Dowdall, Assistant Director – Local Investments and Property, tel 0161 301 7140, email paddy.dowdall@tameside.gov.uk.

1. INTRODUCTION

1.1 This report covers four sections:

- Governance Arrangements for the approval of the accounts;
- Audit Findings Report
- Simplified summary of the accounts for this year.
- Annual Report

2. GOVERNANCE ARRANGEMENTS

2.1 The GMPF Management Panel approves the GMPF accounts and formal letters required by the external auditor. It also receives external audit reports.

2.2 The key decision making bodies for the administering authority of GMPF, Tameside MBC (the 'Council'), are the Audit Panel which receives accounting policy reports for both GMPF and the Council and the Overview (Audit) Panel which receives the report of the external auditor following the audit of GMPF and the Council's accounts. The Council retains overall responsibility for the accounts of both, and the follow-up on the audit reports received, but in practice delegates the responsibility for GMPF to GMPF Management Panel.

2.3 The timetable for approval of the accounts and audit reports by these bodies for 2017/18 is outlined in the table below.

Date	Group	Stage
20 April 2018	Employer Funding Working Group	Noting of continued key assumptions and updated governance arrangements (GMPF)
29 May 2018	Audit Panel	Approval of key assumptions and noting of governance arrangements (GMPF and TMBC)
20 July 2018	GMPF Management Panel	Approval of final accounts, annual report and audit report (GMPF)
30 July 2018	Overview (Audit) Panel	Approval of final accounts, annual report and audit report (GMPF and TMBC)

2.4 This year, in line with legal requirements, the pre-audit accounts of both TMBC and GMPF were signed off by the S151 officer of the Council by 31 May 2018.

2.5 The review by the external auditors commenced thereafter. Grant Thornton LLP provide the external audit contract for both, but a separate team conduct the GMPF audit due to the specialist and technical demands of LGPS accounts.

2.6 The audit process was completed from a GMPF perspective at the Management Panel meeting on 20 July with the acceptance of the audit report and signing of the letters of assurance by management and the Chair, which are attached as appendices to this report.

3. AUDIT FINDINGS REPORT

3.1 The report from Grant Thornton is very positive and no material issues were raised by the auditors. Their report is attached as **Appendix 1** to this report.

4. SIMPLIFIED ACCOUNTS SUMMARY

- 4.1 The table below shows the key financial movements during the financial year to 31 March 2018 taken from the accounts:

	<i>£m</i>	<i>£m</i>	<i>£m</i>
<i>GMPF Value at 31 March 2017</i>			<i>21,271</i>
<i>Contributions and benefits</i>			
<i>Employee contributions</i>	140		
<i>Employer contributions</i>	600		
<i>Pension benefits Paid</i>		(748)	
<i>Net Transfers</i>	367		
<i>Management Costs</i>			
<i>Investment</i>		(25)	
<i>Administration</i>		(6)	
<i>Oversight</i>		(1)	
<i>Investments</i>			
<i>Income</i>	405		
<i>Change in fair value of investments</i>	494		
<i>Total change in value of GMPF</i>			<i>1,226</i>
<i>GMPF Value 31 March 2018</i>			<i>22,497</i>

5. ANNUAL REPORT

- 5.1 The annual report is attached for information; please note in particular the section on the activities of the GMPF Local Pensions Board over the year which can be found on pages 11 and 12.

<https://www.gmpf.org.uk/annualreport/unauditedandunapproved.pdf>

6. RECOMMENDATIONS

- 6.1 As set out at front of report.

Audit Findings

Year ending 31 March 2018

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY

Greater Manchester Pension Fund

9 July 2018

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Section

1. Headlines
2. Financial statements
3. Independence and ethics

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Appendices

- A. Audit adjustments
- B. Fees
- C. Audit Opinion
- D. Audit opinion on Annual Report

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

Introduction

This table summarises the key issues arising from the statutory audit of Greater Manchester Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting;

Our audit work was completed on site during June. Our findings are summarised on pages 4 to 11.

We have not identified any adjustments affecting the Fund's reported financial position. Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the meeting of Tameside MBC's Audit (Overview) Panel on 30 July 2018, as detailed in Appendix C. The outstanding items include:

- receipt and review of the annual report
- review of the final version of the financial statements
- review of the final version of the annual report
- completion of our internal review procedures
- obtaining and reviewing the management letter of representation and
- updating our post balance sheet events review, to the date of signing the opinion

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the GMPF Management Panel and Tameside MBC Overview (Audit) Panel.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Overview (Audit) Committee meeting on 30 July 2018, as detailed in Appendix C.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for Greater Manchester Pension Fund.

	Amount (£)
Materiality for the financial statements	212,711,000
Performance materiality	159,533,000
Trivial matters	10,635,000
Materiality for specific transactions, balances or disclosures	For related party transaction we have set a Materiality level of £20,000

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

Management have reviewed the Funds funding position and cash flows.

Auditor commentary

- GMPF has more than sufficient assets to meet its liabilities as they fall due over the next 12 months. Local Government Pensions are effectively underwritten by the local taxpayer, with deficits financed by increased contributions agreed with the actuary that are financed through the Council and Admitted and Scheduled bodies contributions.
- There is no plan for the Minister of Housing, Communities and Local Government to wind up the Pension Fund.
- The Pension Fund continues to operate in 2018/19. Contributions and investment income continue to be received as expected.

Work performed

Detail audit work performed on management's assessment

Auditor commentary

- We have reviewed managements assessment that the financial statements are prepared on a going concern basis
- We have confirmed there are sufficient assets to meet liabilities as they fall due. The last triennial valuation, as at 31 March 2016 reports a funding level of 93%.
- The fund continues to operate as usual.

Concluding comments

Auditor commentary

- We are satisfied that the Pension Fund financial statements are appropriately prepared on a going concern basis.

Significant audit risks

Risks identified in our Audit Plan		Commentary
Page 140	<div><div>1</div><div>Improper revenue recognition Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</div></div>	<div><div>Auditor commentary</div><div>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Greater Manchester Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:<ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition;• opportunities to manipulate revenue recognition are very limited; and• the culture and ethical frameworks of local authorities, including the Pension Fund's administering Authority (Tameside MBC), mean that all forms of fraud are seen as unacceptable.</div><div><div>Findings</div><div>Our audit work has not identified any issues in respect of revenue recognition.</div></div></div>
	<div><div>2</div><div>Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We identified management override of controls as a risk requiring special audit consideration.</div></div>	<div><div>Auditor commentary</div><div>In accordance with our audit plan we:<ul style="list-style-type: none">• gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness• obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness• evaluated the rationale for any changes in accounting policies or significant unusual transactions</div><div><div>Findings</div><div>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.</div></div></div>

Significant audit risks

3

Risks identified in our Audit Plan

The valuation of Level 3 investments is incorrect

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

We identified the valuation of level 3 investments as a risk requiring special audit consideration.

Commentary

Auditor commentary

We have undertaken the following work in relation to this risk:

- gained an understanding of the Pension Fund’s process for valuing level 3 investments and evaluated the design of the associated controls
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments.
- considered the competence, expertise and objectivity of any management experts used.
- reviewed the qualifications of the experts used to value Level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached.
- for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2018 with reference to known movements in the intervening period.

Findings

Our audit work has not identified any issues in respect of the risks relating to the valuation of Level 3 investments at year end.

Reasonably possible audit risks

Page 142

Risks identified in our Audit Plan

4

Contributions

Contributions from employers and employees' represents a significant percentage of the Pension Fund's revenue. We therefore identified occurrence and accuracy of contributions as a risk requiring particular audit attention

Commentary

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Pension Fund's accounting policy for recognition of contributions for appropriateness;
- gained an understanding of the Pension Fund's system for accounting for contribution income and evaluated the design of the associated controls;
- tested a sample of contributions to source data to gain assurance over their accuracy and occurrence;
- rationalised contributions received with reference to changes in member body payrolls and the number of contributing pensioners to ensure that any unusual trends are satisfactorily explained.

Findings

Our audit work has not identified any issues in respect of the occurrence and accuracy of Contributions.

5

Pension Benefits Payable

Pension benefits payable represents a significant percentage of the Pension Fund's expenditure.

We identified completeness of pension benefits payable as a risk requiring particular audit attention:

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Pension Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;
- gained an understanding of the Pension Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls;
- tested a sample of individual pensions in payment by reference to member files;
- rationalised pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.

Findings

Our audit work has not identified any issues in respect of completeness of Pension Benefits Payable

Reasonably possible audit risks

6

Risks identified in our Audit Plan

The valuation of Level 2 investments is incorrect

While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. We identified valuation of level 2 investments as a risk requiring particular audit attention.

Commentary

Auditor commentary




We have undertaken the following work in relation to this risk:

- gained an understanding of the Pension Fund’s process for valuing Level 2 investments and evaluate the design of the associated controls.
- evaluated the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments.
- reviewed the reconciliation of information provided by the Pension Fund’s individual fund manager’s, custodian, accounting partner (HSBC) and the Pension Fund’s own records and sought explanations for variances;
- considered the competence, expertise and objectivity of any management experts used.
- evaluated the qualifications of the experts used to value the level 2 investments at year end and gained an understanding of how the valuation of these investment has been reached.
- For direct property investments agreed values in total to the valuer's report and undertake steps to gain reliance on the valuer as an expert
- for a sample of investments, tested the valuation by obtaining independent information from custodian/manager on units and unit prices.

Findings

Our audit work has not identified any issues in respect of the risks relating to the Valuation of Level 2 Investments at the year end.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>The financial statements include policies for recognition of the following:</p> <ul style="list-style-type: none"> • Contributions • Investment income • Transfers in to the scheme <p>Contributions and Investment Income are recognised on an accruals basis, whilst transfers in are recognised on a cash basis, with the exception of bulk transfers, which are accounted for on an accruals basis in accordance with the terms of the transfer agreement.</p>	<p>Review of your policies for revenue recognition confirms they are in line with the requirements of the CIPFA Code of Practice and cover all the expected areas in accordance with the Fund's activities.</p> <p>Our testing has confirmed that these policies have been correctly and consistently applied.</p>	
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> • Pension Fund Liability – present value of future retirement benefits • Valuation of investments - unquoted equities, infrastructure and special opportunities. 	<p>Our review of your key judgements disclosed in the draft financial statements has confirmed they are complete in accordance with our understanding of the Pension Fund.</p> <p>Our testing has confirmed that the accounting policies in relation to these areas are in accordance with the CIPFA Code of Practice and have been correctly and consistently applied.</p>	
Other critical policies		<p>We have reviewed the Pension Fund's policies against the requirements of the CIPFA Code of Practice. The Pension Fund's accounting policies are appropriate and consistent with previous years.</p>	

Assessment

- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with officers and members and have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Pension Fund.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from fund managers, custodian and accountancy partner for investment balances and from your bank for your cash balances (outside of the cash held by your fund managers). All of these requests have been returned with positive confirmations.
6	Disclosures	<p>In addition to the items highlighted on page 13 our review found the following regarding disclosures in the financial statements required by the CIPFA Code of Practice on Local Authority Accounting:</p> <ul style="list-style-type: none"> a small number of disclosures for investments measured at fair value and Level 3 investments had not been applied. In particular management considered the disclosure requirements, specifically in respect of the requirements of paragraph 2.10.4.1 of the Code, as part of the accounts preparation and concluded that these new disclosures were not required because they were either already covered by existing disclosure in the accounts, or, in the case of quantifiable sensitivity disclosures, because consultation with industry experts indicated that the required sensitivity information was not readily available. This is consistent with the issue raised and the management response received in the previous year. We are satisfied that the omission of these disclosures is not significant to the overall presentation of the financial statements.
7	Significant difficulties	<ul style="list-style-type: none"> We received draft financial statements and accompanying working papers in advance of our work starting on 30 May 2018 and in advance of the deadline of 31 May 2018. We have not encountered any significant difficulties in carrying out our audit to the agreed timetable.
8	Matters on which we report by exception	<ul style="list-style-type: none"> We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We have not identified any issues we wish to report.

Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified.

Audit Adjustments

Adjusted and unadjusted misstatements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There were no adjusted or unadjusted misstatements identified as a result of our procedures

Misclassification and disclosure changes

The table below provides details of disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note 13 Designated Funds	<ul style="list-style-type: none"> Note has omitted designated funds arising from transfer in of First Bus. 	<ul style="list-style-type: none"> Include First Bus designated funds within disclosure of balances at note 13 	✓
Note 20 Contributions	<ul style="list-style-type: none"> A number of councils made significant advance contributions totalling £189m This is a significant transaction that occurs relatively infrequently and would merit narrative disclosure 	<ul style="list-style-type: none"> Include additional narrative in Note 20 to disclose advance contribution payments 	✓
Transfers In (Bulk Transfers)	<ul style="list-style-type: none"> Material 'Bulk Transfer In' have taken place during 2017/18 relating to First Bus and totalling £388m an would merit further disclosure. 	<ul style="list-style-type: none"> Include additional Note to disclosure Bulk transfers In 	✓
Note 11 Investments at Fair Value – Pooled Investment Vehicles	<ul style="list-style-type: none"> A typographical error resulted in figures for UK special opportunities portfolio and Overseas special opportunities portfolio being transposed. 	<ul style="list-style-type: none"> Amend figures UK special opportunities portfolio £272,477k amend to £53,445k Overseas special opportunities portfolio £53,445k amend to £272,477k 	✓

Fees

We confirm below our final fees charged for the audit and audit related services. There were no fees for the provision of non audit services.

Audit Fees	Proposed fee	Final fee
Pension Fund Audit	56,341	56,341.
Total audit fees (excluding VAT)	£56,341	£56,341

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Grant Thornton UK LLP also provides audit services to:

- Matrix Homes Limited Partnership for audit fees totalling £12,200;
- Plot 5 First Street GP Limited and Plot 5 First Street Partnership Limited for audit fee of £11,300
- GLIL Infrastructure LLP for audit fee of £8,500;
- GLIL Corporate Holdings Limited for audit fee of £2,000
- GMPF Unit Trust £10,000

These are separate engagements outside the remit of Public Sector Audit Appointments Limited.

Fees for other services

Other services	Fees £
Audit related services:	
• IAS 19 Assurance to auditors within PSAA regime or former PSAA regime for Foundation Trusts	5,995
• IAS 19 Assurances to non PSAA regime auditors	TBA
Non-audit services	Nil
	TBA

Audit opinion

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of Tameside Metropolitan Borough Council on the financial statements of the Greater Manchester Pension Fund

Opinion

We have audited the financial statements of the Greater Manchester Pension Fund (the 'pension fund') for the year ended 31 March 2018 which comprise the Fund Account, the Net Assets Statement and Notes to the Greater Manchester Pension Fund, including the Accounting Policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of Tameside Metropolitan Borough Council, (the 'Administering Authority') as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Administering Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Administering Authority and the Administering Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Director of Finance (Section 151 Officer) has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Administering Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance (Section 151 Officer) is responsible for the other information. The other information comprises the information included in the Tameside Metropolitan Borough Council Statement of Accounts and the Annual Governance Statement, other than the Greater Manchester Pension Fund financial statements, our auditor's report thereon and our auditor's report on the Administering Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Tameside Metropolitan Borough Council Statement of Accounts and the Annual Governance Statement for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Administering Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Administering Authority, the Director of Finance (Section 151 Officer) and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities the Administering Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance (Section 151 Officer). The Director of Finance (Section 151 Officer) is responsible for the preparation of the Tameside Metropolitan Borough Council Statement of Accounts, which includes the financial statements of the Greater Manchester Pension Fund, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Director of Finance (Section 151 Officer) is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Overview (Audit) Panel is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Mike Thomas
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

Xx July 2018

Audit opinion on the Annual Report

We anticipate we will provide the Pension Fund with an unmodified audit report on the Annual Report

Independent auditor's report to the members of Tameside Metropolitan Borough Council on the consistency of the financial statements of the Greater Manchester Pension Fund included in the Pension Fund Annual Report

Opinion

The financial statements of the Greater Manchester Pension Fund (the "pension fund") for the year ended 31 March 2018 which comprise the Fund Account, the Net assets statement and Notes to the Greater Manchester Pension Fund, including the Accounting Policies, are derived from the audited financial statements of the Greater Manchester Pension Fund for the year ended 31 March 2018 included in Tameside Metropolitan Borough Council's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18 and applicable law.

Pension Fund Annual Report - Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

Who we are reporting to

This report is made solely to the members of Tameside Metropolitan Borough Council (the 'Administering Authority'), as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Administering Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Administering Authority and the Administering Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the financial statements of the Greater Manchester Pension Fund in the Statement of Accounts in our report dated xx July 2018.

Director of Finance (Section 151 Officer) responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer of the Administering Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Mike Thomas

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

xx July 2018



**Greater Manchester
Pension Fund**

Administered by



BY EMAIL
STRICTLY PRIVATE & CONFIDENTIAL
Mr Mike Thomas
Director - Grant Thornton UK LLP
4 Hardman Square
Spinningfields
MANCHESTER
M3 3EB

Cllr Brenda Warrington
Executive Leader & Chair of the Greater
Manchester Pension Fund
Guardsman *Tony Downes* House
5 Manchester Road
Droylsden
Tameside
M43 6SF

Tel: 0161 342 3016
Fax: 0161 301 7001
Email: leader@tameside.gov.uk
Website: www.gmpf.org.uk

Date: 03 August 2018

Dear Mike,

Greater Manchester Pension Fund - Financial Statements for the year ended 31 March 2018

In response to the letter from Marianne Dixon dated the 21 June 2018, I have attached the completed schedule having taken into account the views of other appropriate Management Panel Members.

The Director of Governance Pensions and Resources is responding separately to the questions directed at Management.

If you require any further information or clarification, please contact me.

Yours sincerely,

Councillor Brenda Warrington
Chair of Greater Manchester Pension Fund

Encl.

QUESTIONS FOR THOSE CHARGED WITH GOVERNANCE

Fraud risk assessment

Auditor Question	Response
Has the Pension Fund assessed the risk of material misstatement in the financial statements due to fraud?	<p>Yes,</p> <ol style="list-style-type: none"> 1. 1.We have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Code; in particular the financial statements show a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members. 2. We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud. 3. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. 4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code. 5. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code. 6. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed. 7. We have adjusted the disclosure typographical changes brought to our attention in the Audit Findings Report. Following these adjustments, the financial statements are free of material misstatements, including omissions 8. We believe that GMPF's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for GMPF's needs. We believe that no further disclosures relating to GMPF's ability to continue as a going concern need to be made in the financial statements. 9. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements. 10. We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to GMPF's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on the assumptions about conditions we expect to exist and courses of action we expect to take.
What are the results of this process?	No risk of material misstatement identified.
What processes does the Pension Fund have in place to	There will always be a risk of fraud in respect of pensions in payment. Regular checks help reduce this risk. The processes

identify and respond to risks of fraud?	<p>of internal control within the in-house teams and external managers are designed to prevent fraud and significant internal audit time is allocated annually to review systems and processes. Internal audit also visit (targeted) employers.</p> <p>The capacity of external managers to make good any losses is an important factor in their recruitment.</p> <p>The Council has a whistleblowing policy in place.</p> <p>Regular reconciliations are undertaken between the custodian and fund managers' holdings.</p>
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	None identified.
Are internal controls, including segregation of duties, in place and operating effectively?	Where appropriate to do so - with processes and procedures periodically reviewed by internal audit as well as management
If not, where are the risk areas and what mitigating actions have been taken?	Risk areas are identified as part of the business planning process, internal audit reports, in-house reviews and by learning from complaints – when identified and where appropriate, systems and processes are amended
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	<p>There is always the risk of collusion.</p> <p>The nature of the activity, the use of external managers and monitoring thereof and standard checks e.g. between custodian and a Fund Manager gives an environment where the risk of inappropriate influence is relatively low.</p>
Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process?	None that I am aware of, or that have found to have failed.
How does the Pension Fund exercise oversight over management's processes for identifying and responding to risks of fraud?	Through regular documented reporting to the Management Panel, Working Groups and Local Board.
What arrangements are in place to report fraud issues and risks to those charged with governance?	Internal audit report to every Working Group and the Local Board. All internal audit reports are copied to the senior officers of the Council (in addition to management).
How does the Pension Fund communicate and encourage ethical behaviour of its staff and contractors?	Through training, regular reminders to staff, team briefings and procedural documents available on the Council and GMPF intranets.
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	Through training, regular reminders to staff, team briefings and procedural documents available on the Council and GMPF intranets.
Are you aware of any related	No

party relationships or transactions that could give rise to risks of fraud?	
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Pension Fund as a whole or within specific departments since 1 April 2016?	No

Law and regulation

Auditor Question	Response
What arrangements does the Pension Fund have in place to prevent and detect non-compliance with laws and regulations?	Arrangements include the in-house resources, participation in national bodies / groups, training of Pension staff and employers. There is also regular reporting to the Management Panel and Working Groups by management and internal and external audit of compliance with internal controls.
How does management gain assurance that all relevant laws and regulations have been complied with?	Through the business planning process, monitoring of actions, reports considered by the Panel and Working Groups, procedures and structures in place and internal audit reviews.
How are those charged with governance provided with assurance that all relevant laws and regulations have been complied with?	Through regular reports from management, internal audit and external audit on the compliance with internal controls. Relevant reports are also submitted to the Management Panel and other Working Groups.
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2016?	<p>We sent some probation members incorrect benefit statements due to receiving incorrect information from the employer (this has no impact on financial statements). We reported the issue to the Pensions Regulator with agreement of the Fund and the Local Pension Board.</p> <p>We are working with the regulator to improve the MOJ's processes and we have arranged an audit and follow up review.</p>
What arrangements does the Pension Fund have in place to identify, evaluate and account for litigation or claims?	<p>Potential receipts - Any group litigation re tax claims or class actions relating to Investments (as at the yearend) are notified to Pensions Accountancy to allow them to take a 'holistic' and prudent view of all group litigation and tax claims for disclosure in the Accounts.</p> <p>Potential expenditure - The norm would be to account for legal costs and settlement as incurred. If there was a material claim against GMPF, consideration would need to be given to the appropriate treatment at the time. I am not aware of any material claims being made against GMPF.</p>
Is there any actual or potential litigation or claims that would affect the financial statements?	No
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	No

Going concern considerations

Auditor Question	Response
Does the Pension Fund have procedures in place to assess the Pension Fund's ability to continue as a going concern?	The actuarial valuation is key to providing this comfort. GMPF has a funding level towards the top of LGPS funds when assessed on a standardised assumption basis. The Fund has a number of key performance measures in place which it considers formally quarterly in terms of Funding and investment performance as well as risk in achieving that.
Is management aware of the existence of other events or conditions that may cast doubt on the Pension Fund's ability to continue as a going concern?	None that I am aware of.
Are arrangements in place to report the going concern assessment to those charged with governance?	In considering the annual accounts, consideration is given to the going concern assessment at the Employer Funding Viability Working Group.
Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Business Plan and the financial information provided throughout the year?	Reports are periodically presented to the Management Panel and Employer Funding Viability Working Group and as part of the Business Plan, which focuses on the importance of cash flow and increasing maturity.
Are the implications of the statutory or policy changes appropriately reflected in the Business Plans, financial forecasts and reports on going concern?	The key issues are pooling and the growing number of employers – these and other changes will be reflected in our plans.
Have there been any significant issues raised with those charged with governance during the year which would cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control.)	No
Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	Again, the Actuarial Valuation is critical. There are specific employer issues and the structures are being established to help address funding and stability of cost issues when the opportunity arises.
Does the Pension Fund have sufficient staff in post, with appropriate skills and experience, particularly at	This is a very challenging environment to be managing a defined benefit scheme. The Management Panel have supported the strengthening of both the senior management team and investment and administration teams.

senior manager level, to ensure the delivery of the Pension Fund's objectives? If not, what action is being taken to obtain those skills?	
Have those charged with governance assessed the process management has followed in forming a view on going concern and the assumptions on which that view is based?	Yes, through consideration of the actuarial valuation and funding strategy statement.

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**Greater Manchester
Pension Fund**

Administered by



BY EMAIL

**STRICTLY PRIVATE & CONFIDENTIAL Marianne
Dixon
Audit Manager
Grant Thornton UK LLP
4 Hardman Square
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MANCHESTER
M3 3EB**

**Sandra Stewart
Director Greater Manchester Pension Fund**

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M43 6SF

Tel: 0161 342 3028

Fax: 0161 301 7001

Email: Sandra.stewart@tameside.gov.uk

Website: www.gmpf.org.uk

Date: 03 August 2018

Dear Marianne,

Greater Manchester Pension Fund Financial Statements for the year ended 31 March 2018

In response to your letter of the 21 June 2018 I have attached the completed schedule having taken into account the views of other appropriate senior staff within Tameside including the Pension Fund Management Team.

The Chair is responding separately on how the Governing Body, (Pensions Management Panel) maintains oversight of the process.

If you require any further information or clarification, please contact me.

Yours sincerely,

**Sandra Stewart
Director Greater Manchester Pension Fund**

Encl.

QUESTIONS FOR MANAGEMENT:



Auditor question	Response
What do you regard as the key events or issues that will have a significant impact on the financial statements for 2017/18?	There are no key events or issues this year that have a material effect on the financial statements. There have been some significant inflows from First Group and advanced payment of contributions by some employers as disclosed in the accounts. As ever, investment performance is the key determinant to the Net Asset Value of GMPF
Have you considered the appropriateness of the accounting policies adopted by the Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	There is regular consideration of the appropriateness of the accounting policies adopted by GMPF. There have been no events or transactions that would justify change, or adoption of new accounting policies.
Are you aware of any changes to the Pension Fund's regulatory environment that may have a significant impact on the Pension Fund's financial statements?	There have been no changes that would justify a change to the accounting policies. Looking forward, factors such as asset pooling, and deficit management arrangements may have a material impact.
How would you assess the quality of the Pension Fund's internal control processes?	There are very strong processes for assessment of the quality of GMPF's internal control processes (see below) The internal audit results are largely positive and therefore the assessment is that internal control processes are working well.
How would you assess the process for reviewing the effectiveness of internal control?	There are strong processes. The administering authority allocates substantial internal audit resource to review internal control processes which are generally considered to operate well. Copies of these reports are automatically circulated to the senior management of the Administering Authority, the Chair of Employer Funding Viability Working Group and the Local Board, together with GMPF staff. Internal audit reports are also submitted to the Local Board and the relevant Working Group.
How do the Pension Fund's risk management processes link to financial reporting?	Many of GMPF's key risks are identified in the Funding Strategy Statement together with measures to mitigate those risks, and they are considered in the Annual Accounts. The Employer Funding Viability Working Group has the remit to oversee and review the effectiveness of internal control and financial reporting, with further oversight from the Local Pensions Board on behalf of the administering authority
How would you assess the Pension Fund's arrangements for identifying and responding to the risk of fraud?	Effective.
What has been the outcome of these arrangements so far this	No material frauds have been identified. There will always be pension overpayments following death, but GMPF has checks to

year?	facilitate early identification of deaths.
What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	<ol style="list-style-type: none"> 1) Cash and Unquoted Investments and Assets not with the global custodian. 2) No communication of changes in circumstance by pensioners or their relatives.
Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	No
Have any reports been made under the Bribery Act?	None
As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Through regular reporting to the Employer Funding Viability Working Group, other Working Groups and the Management Panel.
As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?	Through training, regular reminders to staff, team briefings and procedural documents available on the intranet.
What are your policies and procedures for identifying, assessing and accounting for litigation and claims?	<p>Potential receipts:</p> <p>Any group litigation re tax claims or class actions relating to investments (as at the year end) are notified to Accountancy to allow them to take a 'holistic' and prudent view of all group litigation and tax claims for disclosure in the Accounts.</p> <p>Potential expenditure:</p> <p>The norm would be to account for legal costs and settlement as incurred. If there was a material claim against GMPF, consideration would need to be given to the appropriate treatment at the time. I am not aware of any material claims being made against GMPF over the last 25 years.</p>
Is there any use of financial instruments, including derivatives?	Yes (Futures and Forward Currency contracts). These are reported in the accounts at year end.
Are you aware of any significant transaction outside the normal course of business?	No
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	None

Are you aware of any guarantee contracts?	No
Are you aware of allegations of fraud, errors, or other irregularities during the period?	No
Are you aware of any instances of non-compliance with laws or regulations or is the Pension Fund on notice of any such possible instances of non-compliance?	<p>We sent some probation members incorrect benefit statements due to receiving incorrect information from the employer (this has no impact on financial statements).</p> <p>We reported the issue to the Pensions Regulator with agreement of the Fund and the Local Pension Board.</p> <p>We are working with the regulator to improve the MOJ's processes and we have arranged an audit and follow up review.</p>
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	None
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	No
Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?	There are no amounts based on significant estimates. The basis of valuation is set out in the notes to the accounts.
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?	There is no formal process in place by GMPF's management team to consider whether the Council is a going concern. However, given that tax raising bodies are considered by GMPF and its Actuary as the most secure of employers, this is considered to provide adequate comfort that the Council satisfies the "Going Concern Basis" in preparing GMPF's accounts. Further comfort is provided by the relative strength of GMPF's funding position where it is in the top 10 of LGPS funds.
Although the public sector	The starting point is that GMPF is relatively well funded, albeit at

<p>interpretation of IAS1 means that unless services are being transferred out of the public sector then the financial statements should be prepared on a going concern basis, management is still required to consider whether there are any material uncertainties that cast doubt on the Pension Fund's ability to continue as a business. What is the process for undertaking a rigorous assessment of going concern? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the financial statements are approved?</p>	<p>the individual employer level there is a wide range of funding levels and this is regularly monitored. The prime purpose of the actuarial valuation is to determine employer contributions including deficit recovery. Monitoring processes are in place to ensure employers pay their required rate.</p> <p>The Employer Funding Viability Working Group considers viability issues at the whole fund and individual employer level.</p> <p>The Funding Strategy Statement is a key document in helping to focus attention on funding and associated risk management which is reviewed every 3 years by the Working Group and Management Panel and is subject to consultation.</p> <p>GMPF also has an in-house actuary.</p> <p>These arrangements are considered strong in concluding that GMPF is a going concern at the date the financial statements are approved.</p>
<p>Can you provide details of those solicitors utilised by the Pension Fund during the year? Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>Trowers & Hamlins (Colgate Lane, Salford)</p> <p>Shepherd & Wedderburn (Sale – Aberdeen)</p> <p>Irwin Mitchell (Irwell Riverside loan)</p> <p>Owen Street, Manchester (Loan – DLA Piper)</p> <p>Addleshaw Goddard (Joint Venture – Princess Street, Manchester)</p> <p>Trowers & Hamlins (Joint Venture – Circle Square, Manchester)</p> <p>DAC Beachcroft (Purchase and leases - Morgan Quarter, Cardiff)</p> <p>DAC Beachcroft (Island Road, Reading and Test Lane, Southampton)</p> <p>Gowling WLG (Advice on setting up joint venture – Island Site)</p> <p>DAC Beachcroft (Construction advice – New Marlborough Yard, London)</p> <p>DLA Piper (Advice on Global Custody Agreement)</p> <p>Gowling WLG (Loan - Crusader Mill, Chapeltown Street, Manchester)</p> <p>Addleshaw Goddard (Purchase - Chapelfield, Norwich)</p> <p>Addleshaw Goddard (Loan - Burlington House, Tariff St, Manchester)</p> <p>Squires Patton Boggs (Creation of NPEP – ongoing)</p>

	<p>DLA Piper - Advice on Northern Trust contracts (ongoing)</p> <p>Shoosmiths – (O’Caithan pensions dispute – now completed)</p> <p>Pre 2017 Appointments</p> <p>Squires Patton Boggs (Pooling – ongoing)</p> <p>Pinsent Masons (Manufactured Overseas Dividends action – ongoing)</p> <p>Stewarts Law (RBS class action – now settling)</p> <p>None of the above (apart from the last two) relate to open litigation or contingencies from previous years and that litigation action is that which the Fund is taking as reported quarterly to Alternative Investment Working Group to recover losses generally for misstatement.</p>
Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>GMPF has 4 independent advisors supporting the Management Panel. These are listed in the Annual Report.</p> <p>Hymans Robertson is GMPF’s primary investment consultant in addition to their main role of providing advice on investment strategy. The Investment team also utilise specialist advice from a variety of sources on an ad hoc basis for making investments.</p> <p>Actuarial and funding advice is also provided by Hymans Robertson.</p> <p>Jardine Lloyd Thompson are providing advice on AVC arrangements.</p>
Have any of the Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No

Report To:	LOCAL PENSIONS BOARD
Date:	9 August 2018
Reporting Officer:	Wendy Poole – Head of Risk Management and Audit Services
Subject:	RISK MANAGEMENT AND AUDIT SERVICES – ANNUAL REPORT 2017/2018
Report Summary:	The report summarises the work performed by the Service Unit and provides assurances as to the adequacy of the Greater Manchester Pension Fund's system of internal control.
Recommendations:	The Panel to note the report.
Policy Implications:	Effective Risk Management and Internal Audit supports the achievement of the Greater Manchester Pension Fund objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer)	Effective Risk Management and Internal Audit assists in safeguarding assets, ensuring the best use of resources and the effective delivery of services. It also helps to keep insurance premiums and compensation payments to a minimum.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015, which require the Council to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector auditing standards or guidance"
Risk Management:	The services of the Risk Management and Audit Service Unit assists in providing the necessary levels of assurance that the significant risks relating to the Greater Manchester Pension Fund's operations are being effectively managed and controlled.
Access to Information:	<p>The background papers can be obtained from the author of the report, Christine Weston, Principal Auditor by contacting:</p> <p> Telephone: 0161 342 2356</p> <p> e-mail: christine.weston@tameside.gov.uk</p>

1 INTRODUCTION

- 1.1 The purpose of the report is to present a review of the Risk Management and Audit Service for 2017/18. It covers Internal Audit, Risk Management and Insurance.
- 1.2 The definition of Internal Audit is outlined by the Public Sector Internal Audit Standards as follows:
“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.
- 1.3 The key elements of the definition are:-
- **Risk Management** – A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation’s objectives.
 - **Control** – Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.
 - **Governance** – The combination of processes and structures implemented by the Board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

2 THE AUTHORITY FOR INTERNAL AUDIT

2.1 Local Government Act 1972 Section 151.

“Every Local Authority shall make arrangements for the proper administration of its financial affairs and shall secure that one of its officers has responsibility for the administration of those affairs”

The Council’s Constitution formally nominates the Director of Finance as the Council’s Section 151 Officer who will rely on the work of the Internal Audit Service for assurance that the Council’s financial systems (including those of the Greater Manchester Pension Fund) are operating satisfactorily.

2.2 Accounts and Audit Regulations 2015 Part 2, Section 3 – Responsibility for Internal Control

A relevant Authority must ensure that it has a sound system of internal control which:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

2.3 Accounts and Audit Regulations 2015 Part 2, Section 5 – Internal Audit

- (1) A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- (2) Any officer or member of a relevant body must, if required to do so for the purpose of the internal audit:
 - (a) Make available such documents and records; and
 - (b) Supply such information and explanation;as are considered necessary by those conducting the internal audit.

- (3) In this regulation “documents and records” includes information recorded in an electronic form.

This is supported by the Council’s Financial Regulations, which reflect Internal Audit’s statutory authority to review and investigate all areas of the Council’s activities in order to ensure that the Council’s interests are protected.

2.4 Accounts and Audit Regulations 2015 Section 6 – Review of Internal Control System

- (1) A relevant Authority must, each financial year:
- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - (b) prepare an annual governance statement.
- (2) If the relevant Authority referred to in paragraph (1) is a Category 1 Authority, following the review, it must:
- (a) consider the findings of the review required by paragraph (1)(a):
 - (i) by a committee; or
 - (ii) by members of the Authority meeting as a whole; and
 - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of:
 - (i) a committee; or
 - (ii) members of the Authority meeting as a whole.
- (3) Relates to Category 2 Authorities and not applicable to the Council.
- (4) The annual governance statement, referred to in paragraph (1)(b) must be:
- (a) approved in advance of the relevant Authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
 - (b) prepared in accordance with proper practices in relation to accounts(a).

3 KEY ACHIEVEMENTS DURING 2017/2018

- 3.1 The major achievements of the Service Unit for 2017/2018 are as follows: -
- The Internal Audit function was judged to be compliant with the Public Sector Internal Audit Standards (PSIAS) following an External Peer Review in March 2018.
 - The implementation rate for audit recommendations was 90%.
 - Customer feedback is very positive with continued high levels of satisfaction demonstrated on customer questionnaires.
 - Annual reports, plans and regular progress reports presented to Members via the Audit Panel and the Greater Manchester Pension Fund Local Board.
 - The Annual Governance Statement was produced in accordance with best practice and agreed timescales and no adverse comments were received when our External Auditors (Grant Thornton) reviewed it.

4 COVERAGE FOR 2017/2018

- 4.1 The report presented to the Local Board in July 2017 provided an overview of the work planned for 2017/2018 for the Greater Manchester Pension Fund.
- 4.2 Table 1 below shows the full year position of the audit plan for the Greater Manchester Pension Fund. It details the approved plan, the revised plan, the actual days as at 31 March 2018 and the percentage completed. **Appendix 1** provides a detailed breakdown of the 2017/18 Audit Plan.

Table 1 – Annual Audit Plan Progress as at 31 March 2018

Service Area / Directorate	Approved Plan Days 2017/18	Revised Plan 2017/18	Actual Days to 31 Mar 2018	%
Greater Manchester Pension Fund	300	300	318	106

- 4.3 The successful delivery of the plan can be measured in two ways:-
- Actual Productive Audit Days Delivered against the Plan
The days delivered against the plan, is 318, which represents 106%.
 - Percentage of Planned Audits Completed
The second measure focuses on the planned audits, and calculates the actual rate of completion per audit, and then consolidates the individual outcomes into one single percentage figure. The figure for 2017/18 is 92%, which reflects the fact that there were a number of audits in progress at the year end.
- 4.4 The key areas covered during the period April 2017 to March 2018 included:-
- Pension Benefits Payable
 - Debtors
 - Treasury Management
 - First Bus Transfer to GMPF
 - Private Equity
 - Transfer of Funds to New Credit Manager
 - Local Investments Impact Portfolio
 - Calculation and Payment of Benefits
 - Guaranteed Minimum Payments
 - Visits to Contributing Bodies
 - Review of Fund Manager - Investec
 - Greater Manchester Property Venture Fund
 - Altair
- 4.5 A summary of the audit opinions issued in relation to 2017/18 compared to 2016/17 and 2015/16 is shown in Table 2 below: -

Table 2 – Final Reports System Based Audits

Opinion	Total for 2017/18	%	Total for 2016/17	%	Total for 2015/16	%
High	7	70	4	20	4	24
Medium	3	30	8	52	3	56
Low	0	0	2	28	0	20
Totals	10	100	14	100	7	100

5 ANTI-FRAUD WORK

National Fraud Initiative

- 5.1 The investigations have now been finalised in relation to the NFI 2016 Data Matching Exercise and Table 3 below summarises the results.

Table 3 – NFI Data Matches 2016

NFI Data Set	Total Number of Matches	Number of Rec'd Matches	Comments		
			Processed	In Progress	No. of Error/Frauds and Value
Pensions to DWP Deceased Persons	849	483	849		5 (F) £16,641
Pensions to Payroll	2,086	613	2,063	23	-
Deferred Pensions to DWP Deceased	87	76	87	-	1 (E)
Totals	3,059	1,173	3,001	58	5 (F) £16,641 1 (E)

- 5.2 With regards to the £16,641 figure above this relates to five cases and invoices have been raised for the overpayments. To date one account for £3,530.47 has been settled and the four outstanding accounts are with the Debtors Team for recovery.
- 5.3 Preparations are now underway for the 2018 exercise and the data sets will be submitted to the Cabinet Office in October 2018.

6 RISK MANAGEMENT AND INSURANCE

- 6.1 The approved priorities for 2017/2018 were:-
- To review the risk management system to ensure that it complies with best practice but is still practical for use by the organisation;
 - To facilitate the delivery of risk workshops to enable both the Corporate Risk Register to be updated and Operational Risk Registers to be maintained by managers;
 - To facilitate the continued implementation of the Information Governance Framework and prepare for the introduction of the General Data Protection Regulations which become effective from May 2018;
 - To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with the capability to provide knowledge and information should a major incident occur affecting service delivery; and
 - To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.
- 6.2 Progress to review the risk management process has been delayed due to capacity issues and conflicting priorities.
- 6.3 Work focused on the information governance agenda in light of the introduction of the General Data Protection Regulations (GDPR) and the new Data Protection Act 2018, which became effective in May 2018. Work has concentrated on:
- Reviewing our policies and procedures to identify which need to be updated;
 - Working with the Information Champions Group to raise their awareness of the changes introduced by GDPR and the new Data Protection Act;
 - Undertaking Information Asset Audits across the Council, so that a Register of Processing Activities can be produced and the information collated can be used to update our privacy notices.

- An Information Governance newsletter has been introduced.

- 6.4 The team was restructured in February 2018 and a second Risk, Insurance and Information Officer is now in post
- 6.5 The Insurance Renewal process, which is undertaken annually in March, was completed successfully and the Council is now in the final two years of its long-term agreement with its insurance providers.

7 PERFORMANCE INDICATORS

- 7.1 The performance of the section is monitored in a variety of ways and a number of indicators have been devised to enable comparisons between financial years and between similar organisations. Formal benchmarking using the Chartered Institute of Public Finance and Accountancy has not taken place for a number of years due to budget cuts and capacity; however, this is being reviewed by the North West Chief Audit Executive Group to determine if a small number of key performance indicators could be compared locally.
- 7.2 The Key Performance Indicators for the whole of the Internal Audit Service for 2017/18 are detailed in Table 4 below and they are compared to the two previous years 2016/17 and 2015/16. All five performance indicators have been achieved.

Table 4 - Key Performance Indicators 2017/18

	INDICATOR	TARGET	17/18	16/17	15/16	Comments
1	Compliance with Public Sector Internal Audit Standards	100%	100%	100%	100%	Target Achieved
2	% of Plan Completed	93%	93%	93%	94%	Target Achieved
3	Customer Satisfaction (per questionnaires)	90% of customers "satisfied ≥ 65%"	100%	94%	95%	Target Achieved
4	% Recommendations Implemented	90%	90%	92%	92%	Target Achieved
5	No. of Irregularities Reported/Investigated	Downward Trend	8	15	14	Target Achieved

- 7.3 Whilst all five targets have been achieved, it must to be acknowledged that not all the measures used are fully within the control of the team as explained below.
- 7.4 With regards to the Percentage of Plan Complete this a volatile indicator and affected by the timing of audits, staff availability in both internal audit and services areas to support the audit, reactive work (irregularities) and the timing of in year priority requests.
- 7.5 The Percentage of Recommendations Implemented indicator whilst demonstrating that the standard and quality of recommendations made are acceptable, their implementation is the responsibility of management and delays can occur for example due to lack of capacity, new systems and service redesigns.
- 7.6 The number of Irregularities Reported/investigated has decreased from fifteen to eight, however, this is a reactive indicator and not within the team's control.

- 7.7 The effectiveness of the team in terms of adding value to the Greater Manchester Pension Fund is an important element of the role of Internal Audit (as per the definition outlined in section 1.1) and the service as a whole, however, it is extremely difficult to use quantitative indicators to measure this performance. Added value is demonstrated by the variety of work undertaken above, the responsive and flexible approach adopted, the positive comments and feedback received from auditees and the opinion of our External Auditors that they can place reliance on the work of Internal Audit.

8 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

- 8.1 The process and procedures in place within Internal Audit are continually reviewed and any issues/inefficiencies identified are addressed immediately to assist and improve productivity.
- 8.2 The Audit Management System 'Galileo' has been upgraded to the latest version available, however, the planned improvements to review the process for conducting post audit reviews, improving the indexing system and enhancing the reporting function have been rescheduled to 2018/19 due to capacity issues.
- 8.3 Work across the team was undertaken in preparation for the Peer Review, which was undertaken in March 2018 to assess compliance with the Public Sector Internal Audit Standards (PSIAS). The service was judged to be compliant with the standards and the recommendations made have been included in the Quality and Assurance Improvement Programme for 2018/19 which has been included as an Appendix to the Risk Management and Audit Service Plan for 2018/19 Report also on the agenda.

9 INDEPENDENCE OF INTERNAL AUDIT

- 9.1 In accordance with the Public Sector Internal Audit Standards, the Internal Audit Team/Function has continued to remain independent of any non-audit operational responsibilities during 2017/18.
- 9.2 In the Peer Review Report dated 3 May 2018 a recommendation was included regarding the role of the Head of Risk Management and Audit as stated below. This is currently being reviewed:

"Standard - 1130 Impairment to Independence or Objectivity:

A management decision was taken to give the Head of Risk Management and Audit the role of the Senior Information Risk Owner (SIRO). As the nominated SIRO the Head of Risk Management and Audit owns information governance risks for the Council which impairs the independence required to provide assurance of this function".

10 AUDIT OPINION BASED ON RESULTS OF 2017/18 ACTIVITY

- 10.1 From the work undertaken during 2017/18 the Local Board can take assurance that good arrangements are in place to secure governance, risk management and internal control, within those areas reviewed. Where improvements have been highlighted, managers have agreed to implement the suggested recommendations and this will aid the management of risks and support the overall control environment.

11 ANNUAL GOVERNANCE STATEMENT

- 11.1 The Annual Governance Statement for 2017/18 was presented to the Council's Audit Panel on 30 July 2018 for approval and thereafter it was signed by the Executive Leader and Chief Executive and presented to the External Auditors (Grant Thornton).
- 11.2 The Annual Governance Statement covers the Greater Manchester Pension Fund and is attached at **Appendix 2** for information.
- 11.3 In their Audit Findings Report dated 30 July 2018, Grant Thornton confirmed that the Annual Governance Statement complies with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE and that it is consistent with the information they were aware of from their audit.

12 RECOMMENDATION

- 12.1 As set out at front of report.

GREATER MANCHESTER PENSION FUND INTERNAL AUDIT PLAN 2017/18

AUDITABLE AREA	ORIGINAL PLAN	REVISED PLAN	ACTUAL DAYS	VARIANCE	STATUS
LOCAL INVESTMENTS AND PROPERTY					
Pooling of Investments	10	0.00	0.00	0.00	Rescheduled to 2018/19
Local Investments - Impact Portfolio	15	15.00	18.98	-3.98	Final Report Issued
INVESTMENTS					
Private Equity	15	15.00	14.90	0.10	Final Report Issued
Transfer of Assets to Stone Harbor	5	10.00	11.35	-1.35	Final Report Issued
ACCOUNTANCY					
Contribution Income (including processing of Year End returns)	15	15.00	0.87	14.13	Rescheduled to 2018/19
Treasury Management	10	10.00	10.36	-0.36	Final Report Issued
Agresso Upgrade		10.00	6.50	3.50	Work in Progress - project deferred to 2018/19
ADMINISTRATION					
Calculation and Payment of Benefits	15	15.00	8.01	6.99	Work in Progress
Guaranteed Minimum Pension (GMP) Reconciliations	5	5.00	7.90	-2.90	Advice Ongoing
Visits to Contributing Bodies	65	47.00	50.75	-3.75	Tameside, Trafford, Salford, Manchester visited.
Altair Payroll System upgrade to Java	5	8.00	6.50	1.50	Work in Progress
Benchmarking /KPI's	10	0.00	0.00	0.00	Reassessed for 2018/19 Plan
New BACS process	3	3.00	2.75	0.25	Completed
Altair Administration to Payroll upgrade	0	5.00	0.00	5.00	Rescheduled to 2018/19
Altair System	0	5.00	5.10	-0.10	Final Report Issued
ICT Device Management	0	10.00	10.56	-0.56	Work in Progress
CROSS CUTTING/AUDIT MANAGEMENT					
Transfer of First Group to GMPF	20	20.00	23.76	-3.76	Advice - Data verification checks completed.
First Bus Asset Transfers	0	5.00	0.00	5.00	Deferred until 2018/19
Compliance with TPR Code of Practice 14	5	5.00	4.71	0.29	Work in Progress
NFI Data Matching	0	0.00	0.56	-0.56	Ongoing
Planning and Control	15	15.00	14.99	0.01	Ongoing
Advice and Support	20	15.00	15.97	-0.97	Ongoing
Post Audit Reviews	15	15.00	22.78	-7.78	Work in Progress
Days Required to Complete 2016/17 Work	52	52.00	80.54	-28.54	Work Completed
TOTAL PLANNED DAYS	300	300.00	317.84	-17.84	

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Annual Governance Statement 2017/2018

This is a signed statement by the Executive Leader and Chief Executive certifying that governance arrangements are adequate and operating effectively within the Council.

1. Scope of Responsibility

Tameside MBC (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in good time, and in a fair, open, honest and accountable way. The Council has approved and introduced a Code of Corporate Governance.

This Annual Governance Statement explains how we have followed the above Code and the requirements of the Accounts and Audit (England) Regulations 2015.

The Council, in accordance with the Local Government Pension Scheme (LGPS) Regulations, which are written by the Department for Communities and Local Government (DCLG) and passed by Parliament, administers the Greater Manchester Pension Fund (GMPF).

The Council delegates the function in relation to maintaining the GMPF to the following:-

- Pension Fund Management Panel
- Pension Fund Advisory Panel
- Pension Fund Working Groups
- The Executive Director of Pensions
- The Local Board

The Executive Leader of the Council chairs the Management Panel and all Panels and Working Groups have elected members from the other nine Greater Manchester Authorities, as the fund is accountable to its member Authorities. The Local Board has an equal number of scheme employer and scheme member representatives. Whilst the GMPF has different governance arrangements to other Council Services (which are all detailed on its website), all officers are employees of the Council and therefore comply with the Council's Code of Corporate Governance and Constitution. Specific reference will not be made to GMPF throughout the Annual Governance Statement, unless appropriate to do so, as it is considered to be part of the Council.

2. The Purpose of the Governance Framework

The Governance Framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective, services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of

those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at the Council for the year ending 31 March 2018, and up to the date when the annual accounts are approved.

3. The Governance Framework

Developing codes of conduct which define standards of behaviours for members and staff and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.

Members and Officers are governed by Codes of Conduct, Cabinet Portfolios, contracts of employment, employment rules and procedures, Professional Codes of Conduct and bound by the Constitution and Code of Corporate Governance. Conflicts of interest are recorded in the minutes of all meetings, where applicable, and a register is maintained for both members and officers by the Monitoring Officer.

The Council is committed to leading on and maintaining the highest standards of behaviour and in support of this hosts and chairs the National Anti-Fraud Network (NAFN). In addition to those mentioned above, documentation to eliminate corruption includes Procurement Standing Orders, Financial Regulations, Anti-Fraud, Bribery and Corruption: Statement of Intent, Terms of Reference, Protocols for Gifts and Hospitality and Standards of Conduct and Ethics.

The Council has a published Whistleblowing Policy on its public website and awareness and updates are provided in its internal communications magazine, the Wire. Allegations received are investigated by either the Monitoring Officer or Internal Audit.

Such guidance is accompanied by training and communications. The work of the Monitoring Officer, Standards Committee and the Standards Panel are fundamental in defining, achieving and monitoring high standards.

Ensuring compliance with relevant law and regulations, internal policies and procedures, and that expenditure is lawful.

All reports to Senior Managers, Board, Panels, Working Groups, Council and for Key/Executive Decisions are subject to review by the Executive Director of Governance and Pension, as the Monitoring Officer and the Director of Finance, as the Section 151 Officer. Internal Audit assesses compliance with internal policies and procedures on an ongoing basis and annually all members of the Single Leadership Team sign an Assurance Statement and complete a self-assessment checklist, which includes questions on the above issues.

Standing Orders, Financial Regulations and the Scheme of Delegation are all reviewed and updated regularly and presented to the Council for approval. All decisions of the Council are minuted and available on the website. Supporting procedure notes/manuals to manage risks and ensure consistency of approach are updated regularly and checked as part of the internal audit process. All managers receive regular legal updates from the Director of Governance and Pensions via a Lawyers in Local Government Bulletin.

The Medium Term Financial Plan, the Budget Report and a detailed monitoring regime for both revenue and capital expenditure, together with the Section 151 Officer and Monitoring Officer, ensures that expenditure is lawful. Officers of the Council are well trained, competent in their areas of expertise and governed by rules and procedures. Officers have regular supervision meetings to ensure that performance is satisfactory and the attendance at training seminars/courses ensures that officers are up to date with developments in their areas of expertise.

Documenting a commitment to openness and acting in the public interest.

The Council's Constitution - Access to Information Procedure Rules outlines access to Council meetings, agendas and minutes, so that members of the public can be involved in the governance arrangements of the Council.

In response to the government's desire for increased transparency, the Local Government Transparency Code was published in October 2014 and the Council now produces open data, examples of which are; Expenditure over £500, procurement information, payment of undisputed invoices within 30 days, members allowances, salaries and wages information and fraud data. The Council also respond to Freedom of Information requests and has a central monitoring system in place to ensure deadlines are achieved.

Tameside also has a number of Town Councils in place which allow members of the public to participate in the decision making process and the Big Conversation which provides residents and service users the opportunity to express their views and opinions about the services they use and how they can be delivered.

Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.

The Council needs to set out a clear vision that members, employees and the public can identify with and help deliver as public services are changing rapidly due to new legislation and funding cuts. The vision detailed below is set out in the Corporate Plan 2016/21 which can be found [here](#).

The Council as a representative body exists to maximise the wellbeing and health of the people within the borough:-

- Supporting economic growth and opportunity;
- Increasing self-sufficiency and resilience of individuals and families; and
- Protecting the most vulnerable.

Everything the Council does will aim to make this vision a reality by focusing resources on what matters. The core purpose and values put people at the forefront of services to ensure that every decision made supports economic growth and self-sufficiency. The aim is to work with residents by asking them to take on greater responsibility in their families, communities and area, supporting them when they need help.

The Council is currently revising its Corporate Plan and will publish a refreshed corporate plan in June 2018.

No one organisation can achieve the change aimed for on its own. The Council and its partners are committed to working together along with the people of Tameside to achieve lasting change for the borough.

The Care Together Programme Board was established in summer 2015, to ensure the smooth transition from the current to the new system of health and care. Its responsibilities include managing risks; ensuring patient quality and safety is at the heart of all the changes, overseeing the development of the models of care and engaging staff and the public. The Board meets on a regular basis and reports to the Health and Wellbeing Board, the body responsible for improving the health and wellbeing of the people of Tameside and Glossop.

The landscape the Council operates in has changed significantly over the last 5 years and this has impacted significant on how the Council delivers against its objectives. In 2016 the Government offered any council that wished to take it up, a four year funding settlement to 2019/20, making a commitment to provide minimum funding allocations for each year of the Spending Review period. This offer was subject to the Council choosing to accept the offer and publishing an efficiency plan by October 2016, which the Council accepted. The four year funding settlement provides the

Council with greater certainty over its funding allocations to the end of 2019/20 which enables service planning to take place with more certainty. However, the position beyond 2020 falls outside of this four year settlement and no indicative information is yet available for future periods. This coupled with the Government's commitment to review the way that local government is funded through its Fair Funding review, creates further uncertainty that the Council needs to be aware of, and factor into its financial assumptions.

The Localism Act and the Care Act have all had implications for the work of the Council.

The development of the Council's strategic approach through the Corporate Plan has been informed by a number of factors not least the following (although this list is not exhaustive):-

- Ongoing engagement between the Council and local people;
- Budget Consultation ;
- Big Conversation – service specific consultations to inform service redesign;
- Public Service Reform;
- Greater Manchester Devolution Agreement;
- Greater Manchester Health and Social Care Devolution;
- Care Together (health and social care integration);
- Medium Term Financial Plan;
- Vision Tameside; and
- Greater Manchester Strategy.

Translating the vision into courses of action for the Council, its partnerships and collaborations.

The Tameside Corporate Plan 2016/21 is the Borough's plan to maximise the wellbeing and health of the people within the Borough. Working with partners across public services, industry, commerce, the community and voluntary sectors the vision is translated into objectives which are detailed service plans, team plans, and individual development plans.

The Council is currently revising its Corporate Plan and will publish a refreshed corporate plan in June 2018.

The Care Together Programme and the creation of an integrated system of health and social care brings together Tameside and Glossop Clinical Commissioning Group, Tameside Metropolitan Borough Council and Tameside and Glossop Integrated Care NHS Foundation Trust to reform health and social care services to improve the health outcomes of our residents and reduce health inequalities.

Vision Tameside and Ashton Old Baths are examples of the major projects that the Council has, and is continuing to deliver, with partners that demonstrate that it has translated its vision into objectives. The Council is working with Price Waterhouse Coopers (PWC) the administrator for Carillion to ensure that the Vision Tameside project is completed following the collapse of Carillion.

Educational attainment levels in Tameside are a key priority and 62% of KS4 pupils achieved the standard in English and Maths, progress is in line with the previous year, but a rise in numbers achieving the EBACC. At KS2 there was a rise of 5% to 60% achieving the expected standard in reading, writing and maths – and progress above the national average was achieved in writing and maths.

The GMPF helps to support the Council's vision and its objectives are detailed in service plans which are presented to Working Groups and the Management/Advisory Panel. In conjunction with West Yorkshire Pension Fund and Merseyside Pension Fund the Northern Pool has been approved by Government and will become operational from April 2018. It creates a £35+ billion asset pool, providing greater scope to allow the funds to invest in major regional and national infrastructure projects.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

Significant improvements in the quality of life for our residents will only be achieved through effective partnership working. This involves working together through a shared vision for the future of the borough, to create a prosperous economy where people learn and achieve, feel safe and healthy, and, take active responsibility for their environment.

The Corporate Plan is the key document that communicates the vision for Tameside, and the delivery of the vision is supported by outcome specific networks, joint teams and partnerships.

The Council is currently revising its Corporate Plan and will publish a refreshed corporate plan in June 2018.

In addition to the website, the Council has embraced social media (Facebook, Twitter and Instagram) as modern communication channels to endeavour to reach all sections of the community. Council meetings are webcast and the Executive Leader and Executive Members publish Blogs on the Council's website.

The Tameside Engagement Strategy sets out the way the Council will involve local people in shaping delivery of high quality services across the borough. It aims to help ensure that a co-ordinated and strategic approach to consultation and engagement is undertaken.

Consultation has continued using the Big Conversation which provides residents and service users the opportunity to express their views and opinions about the services they use and how they can be delivered in the future, in light of the financial challenges faced by Tameside.

The Council has refreshed its approach to consultation and engagement and now has in place a comprehensive Partnership Engagement Network which brings together stakeholders from a range of organisations and groups to inform and influence policy development and decision making.

Accountability is demonstrated by the publication of the Statement of Accounts, the Annual Report in the Citizen Newspaper, the Annual Governance Statement and the review of service plans and the People and Places Scorecard.

Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.

The Council has a well-defined decision-making process and Scheme of Delegation, which are documented in the Constitution. It publishes a Forward Plan and all agendas and minutes of meetings can be found on the Council's public website. The Safe and Sound Decision Making Framework in place ensures that good processes are in place for making and implementing decisions, which are informed by good information and data, stakeholder views and an open and honest debate, which reflects the interests of the community.

The robustness of data quality is the responsibility of managers and is reviewed as part of the Internal Audit and External Audit functions. Performance indicators, which are collated centrally, are regularly reported to the Single Leadership Team. Intelligence reviews focused on addressing specific issues of focus or concern are regularly produced and have in the last twelve months included Look after Children and the impact of welfare reform. Performance reports are provided to the Strategic Commissioning Board on a bi-monthly basis.

Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.

Effective challenge is an integral part of how the Council and its partners manage Tameside. It ensures that the partnership and constituent organisations remain focused on improvement and achievement. Challenge helps to identify areas for benchmarking and the development of best practice. Similarly, it supports individuals and teams further develop their own skills and capacity, which in turn helps to deliver better outcomes for local people.

The Council's approach includes:-

- Peer assessment and challenge;
- Performance Management;
- Big Conversation and Service Redesign;
- Scrutiny, and
- Risk Management.

Continual improvement has always been at the heart of the organisation and the results can be seen through our sustained record of achievement. The External Auditor is responsible for providing a Value for Money conclusion for the Council annually and this is reported in their Audit Report dated June 2017 and their Audit Letter dated October 2017. Whilst the Council received a qualified Value for Money conclusion due to the Inadequate Ofsted judgement on Children's Services which was published in December 2016.

The Report also stated that:-

- "The Council is responding well to the findings of Ofsted in December 2016 which rated Children's Services as Inadequate. An Improvement Plan has been developed with the creation of an independently chaired multi-agency Children's Services Improvement Board to oversee progress.
- The Council has maintained a tight control of its budget and net expenditure at 31 March 2017 was £8.376m less than plan. The medium term financial plan, approved by the Council in February 2017, extends to 2019/20 and requires a further £14.4m of cost savings to be achieved. This is a challenge to the Council given the increase in demand for services and future funding reductions.
- The Council has also continued to invest in the Borough with £35.288m capital spend during the year.
- The Council is making good progress with the delivery of the Care Together programme, together with the local CCG and NHS Foundation Trust, to transform healthcare in Tameside and Glossop. Resources were pooled into a single Integrated Commissioning Fund (ICF) underpinned by a financial framework which became fully operational on 1 April 2016. The ICF enables single commissioning arrangements for healthcare with decisions made at a Single Commissioning Board."

The Value for Money conclusion assessed by External Audit is based on one single criterion for auditors to evaluate:-

- In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Based on the work performed by our external auditors for 2016/17 they stated in their Audit Letter that: "We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017 except for concerns raised by Ofsted published in the inspection report on Children's Services in Tameside in December 2016 which judged the service to be inadequate. Ofsted highlighted weaknesses in relation to service delivery, leadership, management and governance. We therefore qualified our value for money conclusion in our audit opinion on 11 September 2017."

While planning for the future we remain focused on the present. The need to balance the budget focuses us on service redesign. We ensure service users are engaged and involved, and services

they rely on are safeguarded wherever possible. Our Customer Service Excellence award is testament. Tameside gained 100% compliance against all criteria, and eight areas of compliance plus – a discretionary award for ‘exceptional best practice’. The report stated “... continued to improve and focus on the development and delivery of customer-focussed services, despite the continuing financial challenges...”

GMF is leading the way in investment and pooling innovation, particularly in the areas of housing and infrastructure development. Airport City is a joint venture between GMF, Manchester Airport Group, Carillion and Beijing Construction Engineering Group. The partners are developing over 5 million square feet of hotels, offices, manufacturing, logistics and retail space directly adjacent to Manchester Airport, an ideal gateway to carry out business throughout the UK, Europe and the world.

Defining and documenting the roles and responsibilities of members and management with clear protocols for effective communication in respect of the Council and partnership arrangements.

The Council Constitution sets out the roles and responsibilities of each Executive Member, and the responsibilities delegated to the Chief Executive, members of the Single Leadership Team and senior managers of the Council. It includes the post and responsibilities of the Statutory and Proper Officers.

The Chief Executive for the Council is the Accountable Officer for the Tameside and Glossop Clinical Commissioning Group and joint management arrangements have continued to develop during 2017/18 to foster closer working. Some service areas like People and Workforce Development and Policy, Performance and Communications are delivering services directly to the Tameside and Glossop Clinical Commissioning Group.

Protocols for effective communication are in place. Meetings have agendas and minutes published on the Council's Website and a Forward Plan is published. The Executive Leader's Annual Key Note Address, the Corporate Plan, the Citizen Magazine, Scrutiny, Consultation via the Big Conversation and, increasingly, the use of Social Media (Facebook, Twitter and Instagram) are examples of how the Council communicates with partners and residents of the Borough.

The constitution is reviewed and updated regularly and changes are disseminated across the Council and Tameside and Glossop Clinical Commissioning Group via the Steven's Weekly Brief, The Wire and team briefings.

The Tameside Health and Wellbeing Board is a statutory partnership with health commissioners, providers and other interested parties. It is chaired by the Executive Leader of the Council and has developed the Tameside Health and Wellbeing Strategy that identifies priorities to address local health inequalities.

Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2015) and where they do not, explain why and how they deliver the same impact.

The financial management arrangements in place conform with the CIPFA statement and the service was managed by the Assistant Executive Director of Finance until 30 September 2017, thereafter from 1 October 2017 a Director of Finance was appointed which is shared with the Tameside and Glossop Clinical Commissioning Group, acting as the Council's Section 151 Officer, up to 31 March 2018. The role is supported by Assistant Director of Finance on the Council side and a Deputy Chief Finance Officer supporting the Clinical Commissioning Group.

Ensuring effective arrangements are in place for the discharge of the monitoring officer function.

The Executive Director of Governance and Pensions) is the Monitoring Officer for the Council and the function is detailed in the Constitution. A Monitoring Officer Protocol is in place and detailed on the website.

Ensuring effective arrangements are in place for the discharge of the head of paid service function.

The Chief Executive is the head of paid service and the role and function are detailed in the Constitution.

Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

Induction guidelines are available for managers including a checklist to ensure consistency across all services. Member induction is delivered by the Monitoring Officer and the Executive Support Team.

Training needs are assessed using Annual Development Reviews for officers. The process takes into account the needs of the service and then identifies any gaps in the skills and knowledge of the workforce to enable it to meet its objectives. All training requirements are reviewed by management and then compiled into service training plans, which are submitted to People and Workforce Development to inform and direct the provision of future training and development opportunities.

Training for members is assessed on an annual basis and a programme of events is scheduled to ensure both local and national subjects are covered.

Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.

The Council empowers its employees to be innovative and to find solutions to problems, but recognises that there are potential risks for the Council. As part of the Service Planning process, individual services develop their own risk registers and monitor controls. Significant and cross cutting service risks are amalgamated into the Corporate Risk Register. Every report presented to Senior Managers, Council, Committees, Board, Panels, Working Groups and for Key/Executive Decisions is risk assessed. The risk management process embraces best practice.

The Information Governance Framework which was introduced in November 2013 and refreshed during 2016 continued to be a key priority for the Council ensuring that the guidance contained in the supporting documents was relevant, disseminated and embedded across all service areas in light of the introduction of the General Data Protection Regulations (GDPR) and the new Data Protection Act in May 2018. The Information Governance Group, which was chaired by the Director of Governance and Pensions), ensured that available resources were directed towards compliance with the new legislation and in line with the requirements of the Information Commissioners Office, the regulatory body for enforcing the requirements of Data Protection legislation. Information Governance, Risk Management and Data Protection training is delivered via a range of media, including briefing notes, the Chief Executive's Briefing, the Wire, workshops, DVD's and E-Tutorials.

Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risks of Fraud and Corruption (CIPFA 2014).

The Council has an Anti-Fraud, Bribery and Corruption Strategy: Statement of Intent as part of the Constitution and all investigations are undertaken by Internal Audit. All investigations are

conducted in line with the Fraud Response Plan and operational guidance notes. The Standards Panel receives regular reports on investigations underway to monitor progress and provide direction, where appropriate. The Council continues to participate in the National Fraud Initiative, which is coordinated by Internal Audit.

A Whistleblowing Policy is maintained and available on the Council's website.

Ensuring an effective scrutiny function is in place.

This role is performed both by the Scrutiny function and by Tameside Members who sit on Outside Bodies' Committees. The Scrutiny function conducts reviews across Tameside which may call into account other public service providers like the NHS. Reviews conducted are reported to the Scrutiny Panels and the Overview (Audit) Panel and the programme of reviews and reports are available on the scrutiny website together with an Annual Report. Members who represent the Council on outside bodies are ensuring that service delivery is effective, providing a challenge function and that the needs of Tameside are taken into account.

Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.

The Council's assurance arrangements conform with the governance requirements of the CIPFA Statement. The Head of Risk Management and Audit Services reported directly to the Assistant Director of Finance until September 2017 and the Director of Finance from October 2017 as the Section 151 Officer. They also presented on a quarterly basis to the Audit Panel and the Greater Manchester Pension Fund Local Board. The Risk Management and Audit Services was also judged to conform to the Public Sector Internal Audit Standards following an External Peer Review conducted by Blackpool and Bolton Councils in accordance with the Memorandum of Understanding approved by all members of the North West Chief Audit Executive Group.

Undertaking the core functions of an Audit Committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2013).

The Audit Panel does comply with the guidance issued by CIPFA and is regularly attended by our External Auditor. Training is assessed for members of the panel based on their existing skills and knowledge.

Ensuring that the Council provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

Information, support and responses are provided to External Audit in a timely manner. Audit findings and recommendations are considered by the Director and Assistant Director of Finance, the Director of Governance and Pensions and the Assistant Director (Pensions Local Investments and Property) and presented to the Audit Panel, Overview (Audit) Panel, Executive Cabinet and the Pension Fund Management Advisory Panel.

In their Annual Letter of October 2017, Grant Thornton commented that:

"The Council made the first draft version of the accounts available for audit in line with the agreed timetable, although subsequent iterations were required. The Finance Team responded promptly and efficiently to our queries during the audit."

Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the Council's overall governance structures.

Good governance arrangements in respect of partnership working were established many years ago when the Tameside Strategic Partnership was created and those standards are still adopted today.

The continued successful delivery of outcomes by the various networks, joint teams and partnerships operating across Tameside to maximise the wellbeing and health of the people of the Borough demonstrates that the arrangements in place are sound. Tameside has always promoted working with partners and it is through our strong and long-standing partnerships, along with new ones that may develop in the future, that help us to produce solutions and real improvements for Tameside. Joint working with the Tameside and Glossop Clinical Commissioning Group, the joint appointments of the Chief Executive as the Accountable Officers and a shared Director of Finance, a shared Single Leadership Team are testament to this approach. Joint meetings/arrangements are also in place with Integrated Care Foundation Hospital Trust to ensure the Care Together Programme realises the benefits to the people of Tameside and Glossop.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. This review of effectiveness is informed by the work of the Directors/Assistant Directors within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Risk Management and Audit Service's Annual Report, and by comments made by the External Auditor and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the Governance Framework includes the following measures and actions:-

- The Council has adopted a Planning and Performance Framework and carries out a programme of monitoring which runs throughout its annual cycle. This includes quarterly monitoring of all budgets and regular monitoring of Service Delivery Plans.
- The Corporate Plan is refreshed regularly to take into account changes in circumstances and need. These reviews are influenced from the outcomes of the Business Days held between the Executive Cabinet and the Single Leadership Team. The full refresh is currently underway with a revised Corporate Plan to be published in June 2018.
- The Capital Programme is regularly monitored and reported to the Strategic Planning and Capital Monitoring Panel, Overview (Audit) Panel and the Executive Cabinet.
- The Executive Cabinet carries out its functions in accordance with responsibilities outlined in Cabinet Portfolios, which are detailed in the Council's Constitution. Several Non-Executive Members are appointed to specific roles to assist Executive Members in the delivery of their particular areas of responsibility. All roles are assigned at the annual meeting of the Council.
- There is a well-established Overview and Scrutiny function, which has been revised and updated in the light of experience. Scrutiny Panels review the work of the Council throughout the year; make a series of recommendations to Executive Cabinet, which then require a formal response and action, as appropriate. There is a public website where the public can access completed review reports and Annual Plans and Annual Reports.

- To support delivery of the Medium Term Financial Plan and be in a positive position to respond to the financial challenges facing the Council, a structured programme of service reviews/redesigns has continued during the year. The continuation of this work is necessary to ensure that we are in a strong position to manage and use our resources effectively to maintain good outcomes and achieve the level of savings required. Service areas are looking for new and innovative ways of doing things as well as working more closely with our partners. Given the magnitude of the tasks the Council faces, consultation via the Big Conversation has continued so that residents' views on any changes can be taken into consideration. The Director and Assistant Director of Finance have worked with the Executive Members/Single Leadership Team during the budget preparation period to ensure that a robust set of savings plans are in place and a clear delivery plan has been drawn up.
- The Directors have each reviewed the operation of key controls throughout the Council, from the perspective of their own directorates, using a detailed assurance self- assessment checklist. They have provided a signed assurance letter and identified any areas for improvement, which will form the basis of an action plan to this Governance Statement.
- The Code of Corporate Governance has been reviewed and the evidence documented to demonstrate compliance with the principles of good governance. The Review was reported to senior management and the Audit Panel in May 2018.
- The Director of Governance and Pensions as the Monitoring Officer, carried out a continuous review of all legal and ethical matters, receiving copies of all agendas, minutes, reports and associated papers, and commented on all reports that go to members and when necessary taking appropriate action, should it be required.
- The Director and Assistant Director of Finance as the Section 151 Officer, carried out a continuous review of all financial matters, receiving copies of all agendas, minutes, reports and associated papers, and commented on all reports that go to members and when necessary taking appropriate action, should it be required.
- The Standards Committee is responsible for standards and probity, and receives regular reports from the Director of Governance and Pensions, the Monitoring Officer.
- The role held by the Assistant Director of Finance from 1 April 2017 to 30 September 2017 and the Director of Finance from 1 October 2017 to 31 March 2018 conformed to the requirements of the five principles of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government.
- The report published by Ofsted in December 2016 on the Inspection of Children's Services in Tameside, which judged the service inadequate, highlighted a number of issues in relation to service delivery, leadership, management and governance and a detailed Improvement Plan has been created. Delivery of the Improvement Plan is overseen by the multi-agency Tameside Children's Services Improvement Board. The Board has an independent chair and an advisor from the Department for Education sits on the Board.
- The Audit Panel carries out an overview of the activities of the Council's Risk Management, Internal Audit and External Audit functions. Members are provided with a summary of reports issued and their associated audit opinion. They approve the Annual Plans for each, and receive regular progress reports throughout the year. The Head of Risk Management and Audit Services presents an Annual Report and opinion, and the External Auditor submits an Annual Audit Letter along with other reports during the year. The Corporate Risk Register and the Risk Management Policy and Strategy were presented to the Audit Panel in March 2018. Work in relation to the risk management system including risk registers is ongoing as we continue to develop systems compatible across the Strategic Commission.

- The Internal Audit Service provides a continuous review in accordance with the Council's obligations under the Local Government Act 1972, and the Accounts and Audit Regulations 2015. It operates under the Public Sector Internal Audit Standards and an External Peer Review conducted in March 2018 confirmed that the service is fully compliant with all the standards, and the assessment was reported to the Audit Panel in May 2018.
- The Information Governance Group has continued to monitor the Information Governance Action Plan, Freedom of Information and Subject Access Requests throughout the year to ensure that robust processes are in place and the all services are compliant with data protection legislation.
- The Council's External Auditors review the activities of the Council and issue an annual opinion on the Annual Accounts and a Value for Money conclusion. Conclusions and significant issues arising are detailed in their report to those charged with governance.
- Progress on the development areas identified in Section 6, are regularly reported to the Audit Panel throughout the year by the Head of Risk Management and Audit Services.

5. Post Balance Sheet Event

Following the collapse of Carillion on 15 January 2018, the LEP has entered into a new contract with Robertson to ensure the Vision Tameside project is completed.

6. Level of Assurance

The governance arrangements in place comply with the Principles outlined in the Council's Code of Corporate Governance and can be regarded as fit for purpose. A few areas for development have been identified in the Action Plan attached at **Appendix A**, and addressing these will further enhance the Governance Framework.

The Internal Audit opinion for 2017/18 as reported to the Audit Panel is that members and senior management can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas reviewed, are suitably designed and applied effectively. It has to be accepted that the gross risk for the Council has increased in recent years (as we have reduced capacity whilst still having to deliver a significant change programme to meet our financial challenges). The finding of Internal Audit's work is that controls are in place to mitigate these risks and where improvements have been highlighted, managers have agreed to implement the suggested recommendations. This will aid the management of risks and support the overall control environment.

Improvements arising from Internal/External Audit Reports and Inspection Reports have already been built into Service Area Action Plans and are monitored as part of the Performance Management Framework.

7. Conclusion and Signatures

The Annual Governance Statement has been reviewed by Senior Management, presented to the Audit Panel and approved by the Overview (Audit) Panel. We have been advised on the implications of the review of the effectiveness of the Governance Framework in place, and the action plan compiled to address the further developments identified to ensure the continual improvement of the system in place.

We are satisfied that these steps will address the improvements that have been identified and their implementation will be monitored by the Audit Panel throughout the year and as part of our next Annual Review.

Signed:

Signed:

.....
Councillor Brenda Warrington
Executive Leader of Tameside MBC

.....
Steven Pleasant MBE
Chief Executive of Tameside MBC

Dated: 30 July 2018

Dated: 30 July 2018

Ref	Area of Review	Improvement Required	Progress to Date	Improvement Owner and Completion Date
1	Carillion/Vision Tameside (Carry Forward)	This is a multi-million pound project in partnership with Tameside College, and needs to be delivered in accordance with agreed milestones. It is essential that the risks to service delivery during the interim period are kept under review to minimise disruption to the people and businesses of Tameside so that, together, the mutual benefits of the project will be recognised and celebrated. It is also important to ensure that the benefits of the new building are realised in terms of different ways of working and reducing future running costs.	<p>Carillion the main contractor engaged by the LEP to construct the Vision Tameside build went into Liquidation on 15 January 2018.</p> <p>The LEP proposed an 8 week Early Works Order with Robertson Construction commencing 14 February following a Cabinet decision taken by the Council on 9 February. The Early Works Order allowed Robertson's to carry out due diligence, re-engage sub contractors and enter into contact with the council to complete the build. The Early Works Order was extended for a further 4 weeks for negotiations and contractual issues to be resolved.</p> <p>Subject to contractual issues being resolved, a new programme has been developed to show completion of the building prior to Christmas 2018. All partner organisations are fully aware of the new programme.</p> <p>Additional costs to complete the building cannot be covered by contingency and the council will be required to identify further capital monies to complete the building. This will be subject to formal governance by end of May 2018.</p> <p>Progress reports will be submitted to the Strategic Planning and Capital Panel. The Chief Executive, Leader and appropriate Executive Members are updated on a weekly basis.</p> <p>PWC the official liquidators have been informed of the council's intentions.</p>	Director of Growth March 2019
2	Children's Services (Carry Forward)	Improvements in response to the Ofsted Inspection published in December 2016, which have been detailed in the Tameside Children's Services Improvement Plan, need to be implemented and an	New leadership in place – Director of Children's Services (DCS), Assistant Director and two Heads of Service. New Improvement Plan signed off 30/11/2017. Further Ofsted Monitoring Visits in January and April 2018 have judged the Council to have taken appropriate action to address the slow pace of improvement,	Director of Children's Summer 2019

Ref	Area of Review	Improvement Required	Progress to Date	Improvement Owner and Completion Date
		Improvement Board is in place to monitor progress.	and that the new leadership has accurate understanding of current state of service and what improvements are still required; still improvements required in casework, but progress being made including improved children's outcomes, accurate quality assurance and improved management oversight.	
3	Pension Fund Pooling of Investments (Carry Forward)	Greater Manchester Pension Fund is working with other large metropolitan LGPS funds to create a £45+ billion asset pool. Pooling of assets will provide greater scope to allow the funds to invest in major regional and national infrastructure projects such as airport expansion, major new road and rail schemes, housing developments and energy production growth, all driving economic growth and prosperity. Strong governance arrangements will need to be in place, underpinned by robust and resilient systems and procedures, to ensure the desired outcomes are realised.	<p>The three funds have established an investment vehicle, which makes collective direct infrastructure investments and collective private equity investments.</p> <p>A procurement exercise has been undertaken to appoint a pool custodian, and a commercial and legal review of the successful bidders' contract is currently ongoing.</p> <p>A formal joint committee governance structure will be established in May 2018.</p> <p>Representatives of the Fund will continue to work closely and seek professional advice, as required, in order to finalise all aspects of the Pool.</p>	<p>Director of Governance and Pensions</p> <p>March 2019</p>
4	Health and Safety (Carry Forward)	To Review process and procedures in place to ensure consistency of approach and embrace electronic recording where appropriate.	<p>Directorate Health and Safety Meetings now established to ensure consistency of approach across the organisation.</p> <p>Health and Safety Service redesign taken to April Employer Consultation Group with agreement for a new Service Manager to be appointed. A full audit of all aspects of the Council to be commissioned and then a new service established with electronic accident reporting.</p> <p>Recruitment to commence immediately.</p>	<p>Director of Operations and Neighbourhoods</p> <p>March 2019</p>
5	Management of CCTV (New)	To review the processes and procedures in place across the Council to ensure consistency of approach and compliance	<p>A report has been discussed at Board in February and the next steps are to undertake a full review of the CCTV network to include:</p> <ul style="list-style-type: none"> Review of location and numbers of CCTV Cameras 	Director of Operations and Neighbourhoods

Ref	Area of Review	Improvement Required	Progress to Date	Improvement Owner and Completion Date
		with all relevant legislative requirements.	<ul style="list-style-type: none"> Invest to Save Income Generation Service Review <p>The above actions address the issues identified in the CCTV Internal Audit Report.</p>	March 2019
6	Creditors (New)	Improvements to the creditor payments system have been highlighted as part of an internal audit review.	A full system review is currently underway to review the process from procurement to payment.	Director of Governance and Pensions March 2019
7	Estates Management (New)	Improvements to the Estates Management system have been highlighted as part of an internal audit consultancy review.	A full service review is currently underway in response to the recommendations made and as a result of the liquidation of Carillion as the service is currently outsourced. Work to consider different delivery models including a combined Estates Provision with the ICFT is to commence and be completed during 2018/19.	Director of Growth March 2019
8	ICT Disaster Recovery and Business Continuity Planning (New)	Enhancements are needed to the systems in place so that they meet with the requirements of the Council and best practice, to ensure continuity of service in the event of an incident, which causes disruption, or denial of service.	A meeting is scheduled for June with the AGMA Civil Contingencies and Resilience Unit to review the system in place and discuss how the unit may support the Strategic Commission to improve business continuity across all services.	Director of Finance October 2018
9	Information Governance (New)	To ensure that information governance processes across the Council are consistently applied and compliant with the EU General Data Protection Regulations and the new Data Protection Act 2018.	<p>An action plan is in place and monitored by the Information governance Group to ensure that the Council is compliant with the new regulations and legislation.</p> <p>An additional post has been added to the Risk and Insurance Team and once recruitment is complete, it will provide extra capacity to this critical agenda.</p>	<p>Director of Governance and Pensions</p> <p>Director of Finance</p> <p>September 2018</p>

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Report To:	LOCAL PENSIONS BOARD
Date:	9 August 2018
Reporting Officer:	Wendy Poole – Head of Risk Management and Audit Services
Subject:	RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2018/19
Report Summary:	This report presents the planned work for the Risk Management and Audit Service for 2018/19.
Recommendations:	<ol style="list-style-type: none">1. Members to note the Internal Audit Plan for 2018/19 shown at Appendix 1 and note the planned work for the Risk Management and Insurance Team.2. Members to note the Quality Assurance and Improvement Programme for 2018/19 shown at Appendix 2.
Policy Implications:	Effective Internal Audit and Risk Management supports the achievement of Greater Manchester Pension Fund objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer)	Effective Internal Audit assists in safeguarding assets, ensuring the best use of resources and reducing losses due to poor risk management. It also helps to keep insurance premiums to a minimum and provides assurance that a sound control environment is in place.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015.
Risk Management:	By assisting in the effective management of risks, Internal Audit helps to reduce costs and improve service delivery.
Access to Information:	<p>The background papers can be obtained from the author of the report, Christine Weston, Principal Auditor by:</p> <p> Telephone: 0161 342 2356</p> <p> e-mail: christine.weston@tameside.gov.uk</p>

1. INTRODUCTION

- 1.1 The report presents the planned work for the Risk Management and Audit Service for 2018/2019. It sets out in detail the work of Internal Audit and presents at **Appendix 1** the Annual Audit Plan for 2018/19. It highlights the planned work in relation to Counter Fraud/Investigation Work and the Risk Management and Insurance Team.

2. INTERNAL AUDIT PLANNING PROCESS

- 2.1 The Internal Audit Service plans its work with a view to achieving the following key objectives:
- Supporting the Greater Manchester Pension Fund's Vision;
 - Providing optimum coverage across the Fund to ensure the best use of resources;
 - Targeting resources towards priority (high-risk) areas;
 - Satisfying legislative requirements;
 - Providing assurances to Members and Senior Managers as to the effectiveness of the Greater Manchester Pension Fund's internal controls;
 - Responding to the needs of service managers; and
 - Maintaining a regular level of audit presence in all areas.
- 2.2 The plan is reviewed and revised each year to take into account service and legislative changes, which can result in large shifts in priorities and culminates in the production of the Annual Audit Plan.
- 2.3 The audit management system used ("Galileo") holds the entire list of all audits to be undertaken "the Audit Universe" and this is used as part of the consultation process.
- 2.4 Audits are prioritised based on an assessment of risk and allocated a numerical risk score which equates to either High, Medium/High, Medium, Low/Medium or Low and the following factors are taken into account:-
- Susceptibility to Error/Fraud;
 - Control Environment;
 - Sensitivity and Reputation of the Greater Manchester Pension Fund;
 - Complexity;
 - Volume and Value of Transactions;
 - Management Concerns;
 - Management Changes;
 - Specific Business Risks/Business Importance;
 - Quality, Integrity and Security of Information; and
 - Years since Previous Audit.
- 2.5 Consultation involves Assistant Directors, Heads of Service and in some cases Service Unit Managers and was carried out during March. These meetings help to inform the risk assessments undertaken on audit activities and provide members and officers with the opportunity to discuss areas of concern or provide further details of up and coming changes to structures, key personnel, systems, procedures and/or legislation. In addition to agreeing priority audits, the discussions also include a report on previous audit work undertaken and the level and quality of the service provided. Risks identified in the Corporate Risk Register and other sources of assurance available to the Greater Manchester Pension Fund are also taken into account during the planning process.
- 2.6 Allegations of fraud investigated during the year together with intelligence gained from external sources (e.g. Chartered Institute of Public Finance and Accountancy Fraud Centre, National Anti-Fraud Network and networking events) are used to identify potential risks and

new fraud areas which are then taken into account either directly as an audit or used to inform the audit work scheduled in a particular area.

- 2.7 The Director of Finance (Section 151 Officer) and the Assistant Director of Finance have been consulted to ensure that the levels of coverage will provide the necessary information and assurance to support the Section 151 Officer Role and the preparation of the Annual Governance Statement.
- 2.8 Whilst the work of Internal Audit, External Audit and Scrutiny are different, consultation takes place during the year to ensure our respective work programmes are complementary and that areas are not “over audited/inspected”.

3. INTERNAL AUDIT ANNUAL AUDIT PLAN 2018/19

- 3.1 300 days will be provide to the Greater Manchester Pension Fund in 2018/2019. The full Annual Audit Plan for 2018/2019 is included at **Appendix 1**.
- 3.2 The detail contained in the plan has been expanded in response to the recent Peer Review Assessment and now covers:-
- Links to the Corporate Plan (New);
 - Links to the Corporate Risk Register (New);
 - Auditable Area;
 - Purpose of the Audit;
 - Priority (New);
 - Audit Category (New); and
 - Planned Days for 2018/19.
- 3.3 The new additional columns in the plan are explained in further detail below:-
- Links to the Corporate Plan
Each audit in the plan has been linked to one of the five themes within the Corporate Plan with the additional of a sixth theme to cover Governance and Finance, as outlined in the table 2 below.

Table 1 – Corporate Plan Themes

Excellent Health and Care	We want all our residents to have access to high quality joined up health and care services that help our residents to live longer and healthier lives.
Successful Futures	We want our young people to live in a safe and supportive environment where they have the opportunity to reach their full potential.
Vibrant Economy	We want to provide greater access to jobs and opportunities, attract more businesses to the area and improve connectivity.
Stronger communities	We want to build stronger communities that look out for one another, take pride in the area they live in and have access to quality homes.
Digital Place	We want to provide everyone with the opportunity to get on-line to access services, learning and information.
Governance and Finance	To provide support to the Council in delivering its aims and objectives.

- Links to the Corporate Risk Register

Where appropriate each audit has been linked a risk in the Corporate Risk Register to ensure that the plan is providing audit coverage in the areas deemed to be of significant risk to the Council.

- **Priority**
Two categories have been included;
 - Mandatory – Audits/Audit Processes that need to be included e.g. grant certification work.
 - High/Medium/Low – Each audit in the ‘Audit Universe’ is risk assessed within the audit management system ‘Galileo’ and allocated a numerical score. Those with the highest scores are included in the plan until all available resources have been accounted for.
- **Audit Category**
The audit categories included in the plan are detailed below in table 3.

Category	Description
Assurance	To provide assurance to management that the processes in place are robust and fit for purpose.
Risk Based	A comprehensive risk based audit review is undertaken.
Financial Control/ Assurance Testing	A programme of financial system reviews considered high risk.
Advice	Ongoing advice provided at the request of management and stakeholders.
Follow Up	Work undertaken to ensure recommendations documented in Final Reports have been implemented.
School Visits	A programme of school visits identified as highest risk taking into account any key changes in personnel, systems and finances
Investigation	Ad hoc investigations into suspected fraud, irregularities and information incidents.
Computer Audit	Commissioned audit reviews of a technical nature from Salford Computer Audit Services, combined with reviews to be delivered in-house.
Contract Audit	Reviews on specific procurement activities and contracts considered high risk.
Certification Work	Independent verification work required by grant funding bodies, legislation and Final Accounts certification.

- 3.4 Productive days are estimated and any changes to the assumptions made will be reflected during the year as Audit Plan updates and reported to the Local Board.
- 3.4 The plan will be kept under constant review and regular meetings will be held with the Senior Management Team of the Greater Manchester Pension Fund to ensure that it reflects the keys risks going forward.

4. INTERNAL AUDIT STAFFING

- 4.1 The structure of the team is shown in Table 2 below.

Table 2 – Internal Audit Staffing Structure

Post	Qualification	Audit Experience
Head of Risk Management and Audit Services	CIPFA/PGCM	Over 20 Years
Principal Auditor	CIPFA/PGCM	Over 20 Years
Principal Auditor	ACCA/IIA	Over 20 Years
Senior Auditor	CIPFA	Over 20 Years
Senior Auditor		Over 20 Years
Senior Auditor		Over 20 Years
Counter Fraud/Investigator	CIPFA ACFTech	Over 10 Years
Counter Fraud/Investigator	CIPFA ACFTech	Less than 1 Year
Auditor	Degree	2 – 5 Years
Auditor	Degree	Less than 1 Year

- 4.2 The Service Unit no longer employs a specialist Computer Auditor and therefore the provision of technical computer audit support is procured from Salford MBC Computer Audit Services using the AGMA Collaboration Computer Audit Agreement to help deliver the ICT – Computer Audit Plan.
- 4.3 The Internal Audit Team has complete organisational independence and is not responsible for any non-audit work. Staff are very aware of the need to remain independent and ensure that requests for advice and support do not compromise this position.
- 4.4 All members of the Internal Audit Team sign an annual declaration form, and this includes confirming that they have read and agreed to adhere to the Tameside Code of Conduct for Employees and the Public Sector Internal Audit Standards - Code of Ethics.

5. INTERNAL AUDIT REPORTING PROCESS

- 5.1 At the completion of an audit review a draft report is produced which is issued to the appropriate managers within the area (this will vary depending on the review, but usually includes members of the senior management team) for them to check the factual accuracy of the report and to provide their management responses to the recommendations identified. Closure meetings are held with all parties to expedite the process.
- 5.2 A quality control and review process is in place within the team that ensures all audits are conducted to a high standard and that working papers, conclusions and recommendations are sound and justified.
- 5.3 A final audit report is then produced incorporating the management responses and circulated to: -
- Chair of Working Group – responsible for area under review;
 - Chief Executive;
 - Director of Governance and Pensions;
 - Director of Finance (Section 151 Officer);
 - Assistant Director of Finance (Deputy Section 151 Officer);
 - Appropriate Service Area Assistant Director and Managers; and
 - External Audit.
- 5.4 Six months after completion, a Post Audit Review is undertaken to establish whether the agreed recommendations have been implemented, however where a low level of assurance is issued the area is re-visited within 3 months. This report is circulated to those members and officers who received the final report so that they can check that progress has been made. Areas of concern are escalated to the Head of Risk Management and Audit Services and/or the Director/Assistant Director of Finance for discussion with the relevant

service managers to ensure that progress is made. Post Audit Reviews with significant outstanding items will in turn be reported to the Local Board.

- 5.5 All reports issued are reviewed and quality checked within the team by the Principal Auditor before they are released. The Head of Risk Management and Audit Services also reviews all Final Reports and Post Audit Reviews. Low level assurance audits are discussed with Assistant Directors to gain assurance that resources will be targeted to resolve issues identified.
- 5.6 In addition, regular reports are produced for the Local Board, which summarise the key issues, highlighted from completed audits and any concerns resulting from Post Audit Reviews.
- 5.7 At the end of the financial year, an annual report is produced summarising the work undertaken during the year and providing an opinion on the overall control environment. In broad terms, the opinion is based on the audit opinions issued during the year, the nature of the audits and the type and severity of recommendations made.
- 5.8 The Internal Audit service conforms with the Public Sector Internal Audit Standards, and this was confirmed in the report received in April 2018 following the External Peer Review Assessment in March 2018 and this informs the Review of the Effectiveness of the System of Internal Control required by the Accounts and Audit Regulations 2015 Section 6.
- 5.9 A self-assessment against the Chartered Institute of Public Finance and Accountancy Statement for the Head of Internal Audit has also been completed as part of the Review of the Effectiveness of the System of Internal Control and as part of the assurance work for the preparation of the Annual Governance Statement. The Head of Risk Management and Audit Services is compliant with all the requirements.

6. ANNUAL GOVERNANCE STATEMENT

- 6.1 The Accounts and Audit Regulations 2015 require audited bodies to conduct a review, at least once a year, of the effectiveness of its systems of internal control. The findings of the review shall be considered by a committee of the relevant body, or by members of the relevant body meeting as a whole, and following consideration, shall approve a governance statement, prepared in accordance with proper practices in relation to internal control.
- 6.2 The work of Internal Audit is fundamental to the production of this statement as the work conducted provides evidence and ongoing assurance that the systems of internal control have been reviewed and that risks are being effectively managed. The annual report referred to in 5.7 is a key source of assurance.

7. INTERNAL AUDIT CHARTER

- 7.1 The Internal Audit Charter for 2018/19 was approved by the Council's Audit Panel on 6 March 2018. In terms of feedback from the External Peer Review, the revised charter met all the required standards and no recommendations were received in this area.

8. QUALITY ASSURANCE AND IMPROVEMENT PRORAMME

- 8.1 Standard 1300 of the Public Sector Internal Audit Standards require:
"That the Chief Internal Auditor must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity".

- 8.2 The Quality Assurance and Improvement Programme (attached at **Appendix 2**) includes:-
- Introduction;
 - Internal Assessments;
 - External Assessments;
 - Service Development; and
 - Review of the Quality Assurance and Improvement Programme.
- 8.3 The format of the Quality Assurance and Improvement Programme has been amended for 2018/19 to include a section on service development as this was highlighted as part of the External Peer Review.

9. PROACTIVE FRAUD WORK/IRREGULARITY INVESTIGATIONS

- 9.1 Whilst unplanned in their nature, time is required each year for the investigation of frauds and irregularities that are notified to Internal Audit. There is a dedicated resource within the service unit, which provides support to management to ensure that such problems are dealt with as effectively as possible. A control report is provided in response to investigations/advice and support work to ensure that the control environment is improved to try to minimise any future re-occurrence. Learning points are noted for wider dissemination where appropriate and any recommendations are followed up at a later date by a Post Audit Review to ensure the required improvements have been implemented.
- 9.2 The Standards Panel is notified of all cases reported and kept informed of progress on a monthly basis and direction/guidance from the Panel is provided where appropriate.
- 9.3 Update reports will be provided as part of the quarterly progress reports provided by the Head of Risk Management and Audit Services.
- 9.4 Intelligence from all corporate fraud/irregularities notified to Internal Audit is used to:-
- Evaluate our response plan;
 - Inform the audit planning process to ensure fraud risks are taken into account; and
 - Inform the risk assessment tool within Galileo (audit management system) to ensure all auditable activities are correctly assessed.
- 9.5 Proactive fraud work planned for 2018/2019 will include the development and delivery of awareness training, the review of all fraud policies, processes and procedures and the use of the interrogation package “IDEA” to look for data anomalies and potential duplicate payments.

10. RISK MANAGEMENT AND INSURANCE

- 10.1 The Risk Management and Insurance Team provide services to the whole Council including the Greater Manchester Pension Fund and the key priorities for 2018/2019 are:-
- To review the risk management system to ensure that it complies with best practice including a review of service area risk register.
 - To ensure the Corporate Risk Register is updated on a quarterly basis and reported to the Single leadership Team and the Audit Panel.
 - To facilitate the continued implementation of the Information Governance Framework, ensuring that the Council is compliant with the General Data Protection Regulations (GDPR) and the Data Protection Act 2018.
 - To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with the capability to provide knowledge and information should a major incident occur affecting service delivery.

- To review the insurance database used by the team to ensure it is fit for purpose and that the reporting function is efficient and effective.
- To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.
- To attend management team meetings quarterly to provide updates on insurance, information governance, risk management and business continuity.

11. PERFORMANCE MONITORING

- 11.1 In accordance with Tameside methodology, the performance of the service is monitored against targets and performance indicators. Individually auditors are monitored against performance targets and appraisal sheets are completed for audits highlighting issues and potential training needs. Customer questionnaires are also used at the conclusion of each audit to test customer reaction to the audit and to help identify any training needs or service improvements.
- 11.2 The Audit Plan will be continually monitored via monthly progress meetings between the Audit Management Team and regular update meetings with the Chair of the Local Board, Senior Managers and External Audit and quarterly reports to the Greater Manchester Pension Fund Local Board.
- 11.3 The target for achievement is 90% of the agreed plan. However, high priority requests that arise during the year, changes in available audit resources and problem areas highlighted may affect the achievement of this target and result in the need for revisions to the agreed plan. All significant changes are agreed with relevant managers and Executive Members where appropriate and will be brought to the Panel for approval.
- 11.4 The Public Sector Internal Audit Standards are the benchmark against which the performance and effectiveness of the internal audit service will be measured.
- 11.5 The performance indicators monitored and measured are detailed in table 3 below.

Table 3 – Performance Indicators

	INDICATOR	TARGET
1	Compliance with Public Sector Internal Audit Standards	100%
2	% of Plan Completed	90%
3	Customer Satisfaction (per questionnaires)	90% of customers “satisfied ≥ 65%”
4	% Recommendations Implemented	90%
5	No. of Irregularities Reported/Investigated	Downward Trend

12. MEMBER TRAINING

- 12.1 During the year, general training on Audit, Risk Management, Information Security, Corporate Governance and Business Continuity will be considered in accordance with member needs with targeted training being provided for members of the Audit Panel and the Greater Manchester Pension Fund Local Board as and when requested.

13. RECOMMENDATIONS

13.1 As set out at front of report.

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INTERNAL AUDIT PLAN 2018/19**APPENDIX 1**

LINK TO CORPORATE PLAN	LINK TO RISK REGISTER	AUDITABLE AREA	PURPOSE OF AUDIT	PRIORITY	AUDIT CATEGORY	PLANNED DAYS 2018/19
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GREATER MANCHESTER PENSION FUND						
Vibrant Economy	CR 27	Northern Pool	A review will take place of the Governance arrangements for the newly formed Northern Pool.	High	Risk Based	15
	CR 27	GLIL Regulated vehicle	A review will take place of the systems and procedures within GLIL in respect of the investments that are currently active.	High	Risk Based	10
Governance and Finance		Compliance Function	A review is planned of the Compliance function to ensure that appropriate Compliance procedures have been put in place.	High	Risk Based	15
	CR26	First Bus Asset Transfers	A check will be made to ensure that the transfer of assets in relation to the First Bus pension liabilities has been carried out correctly.	High	Assurance	10
	CR26	Transfer of Assets re Capital International	Checks will be carried out to ensure the accuracy and completeness of the asset transfers in relation to the previous Fund Manager.	High	Assurance	10
	CR26	Transfer of Assets to new Custodian	Checks will be carried out to ensure the accuracy and completeness of the asset transfers between the old and new custodian.	High	Assurance	10
Vibrant Economy	CR27	Pooled Private Equity Vehicle	A review will be carried out of the systems in place in relation to the Pooled Private Equity Vehicle.	High	Risk Based	15
Digital Place	CR 13	iConnect	We will sign off this new module of Altair, prior to it going live, to ensure the system is fit for purpose and secure.	High	Assurance	5
Governance and Finance		Altair - Administration to Payroll Upgrade	The Payroll module of Altair is being upgraded and Internal Audit have been asked to perform some data checks prior to the new upgrade going live.	High	Assurance	5
		Benchmarking-KPI's	A review will take place of the Pension Funds Benchmarking and Performance Indicators.	High	Assurance	10
	CR 29	Segregation of Duties - New Structure	To ensure that segregation of duties is not compromised by the new staffing structure.	High	Risk Based	5
		Move to Barclays Bank	We will review the process followed to move the Pension Fund's bank accounts to Barclays.	High	Assurance	5
Digital Place		Member Self Service	We will sign off this new module of Altair, prior to it going live, to ensure the system is fit for purpose and secure.	High	Assurance	10
Governance and Finance		Move from Citrix re Altair	We will sign off this new module of Altair, prior to it going live, to ensure the system is fit for purpose and secure..	High	Assurance	5
		Visits to Contributing Bodies	An allocation of days is included annually for Internal Audit to carry out visits to a sample of Employers. The auditor reviews the data held on the Employer's payroll system to ensure that the correct contributions are being paid over to the Pension Fund.	Mandatory	Employer Visits Compliance Testing	70
		Contribution Income (including processing of Year End returns)	Contribution Income is reviewed annually, as it is the main income of the Pension Fund, paid over to the Fund by Employers. External Audit rely on our work on this area, to ensure that there are processes in place to monitor and review the contributions received.	Mandatory	Financial Control Assurance Testing	15
	CR13	Information Governance/Security Incidences	Investigation of Information Security Breaches under the Information Security Incident Reporting Procedure/Practice Note.	High	Investigation	10

INTERNAL AUDIT PLAN 2018/19**APPENDIX 1**

LINK TO CORPORATE PLAN	LINK TO RISK REGISTER	AUDITABLE AREA	PURPOSE OF AUDIT	PRIORITY	AUDIT CATEGORY	PLANNED DAYS 2018/19
		Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	Mandatory	-	15
		Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	Mandatory	Advice	10
		Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	Mandatory	Follow Up	15
		Days required to complete 2017/18 Work	Days required to finalise audits that were in progress at the year end.	High	-	35
TOTAL PLANNED DAYS FOR PENSION FUND						300

TAMESIDE MBC

INTERNAL AUDIT

DRAFT

QUALITY ASSURANCE

AND IMPROVEMENT

PROGRAMME

2018/19

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1. INTRODUCTION

- 1.1 Internal Audit's Quality Assurance and Improvement Programme is designed to provide reasonable assurance to the various stakeholders of the Internal Audit activity that Internal Audit:
- Performs its work in accordance with its Charter, which is consistent with The Public Sector Internal Audit Standards definition of Internal Auditing and Code of Ethics;
 - Operates in an effective and efficient manner; and
 - Is perceived by stakeholders as adding value and improving Internal Audit's operations.
- 1.2 Internal Audit's Quality Assurance and Improvement Programme covers all aspects of the Internal Audit activity in accordance with the Public Sector Internal Audit Standards, Standard 1300 (Quality Assurance and Improvement Programme), including:
- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner;
 - Ensuring compliance with the Public Sector Internal Audit Standards definition of Internal Auditing and Code of Ethics;
 - Helping the Internal Audit activity add value and improve organisational operations;
 - Undertaking both periodic and on-going internal assessments; and
 - Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit Panel and the Greater Manchester Pension Fund Local Board in accordance with Standard 1312.
- 1.3 The Head of Risk Management and Audit Services is ultimately responsible for the Quality Assurance and Improvement Programme, which covers all types of Internal Audit activities, including consulting.

2. INTERNAL ASSESSMENTS

- 2.1 In accordance with PSIAS Standard 1300, internal assessments are undertaken through both on-going and periodic reviews.

On-going Reviews

- 2.2 Continual assessments are conducted through:
- Management supervision of all engagements;
 - Structured, documented review of working papers and draft reports by Internal Audit management;
 - Audit Policies and Procedures used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards;
 - Internal Quality Control Checklist to ensure consistency of reporting and reduce administrative error (Appendix A);
 - Feedback from audit clients obtained through Customer Satisfaction Questionnaires at the closure of each engagement (Appendix B);
 - Monitoring of internal performance targets (Appendix C) and annual outturn reporting to the Audit Panel;
 - Review and approval of all final reports, recommendations and levels of assurance by the Head of Risk Management and Audit Services and Principal Auditors; and
 - Regular team briefings.

Periodic Reviews

- 2.3 Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Public Sector Internal Audit Standards definition of Internal Auditing, the Code of Ethics,

and the efficiency and effectiveness of Internal Audit in meeting the needs of its various stakeholders. Periodic assessments are conducted through:

- Quarterly Update Reports, presented to the Audit Panel;
- Annual risk assessments, in accordance with the Audit Charter 2018/19 and the Audit Manual, for the preparation of annual audit plan;
- Annual review of the Effectiveness of Internal Audit, undertaken by the Head Risk Management and Audit;
- Annual review of compliance against the requirements of this Quality Assurance and Improvement Programme, the results of which are reported to the Audit Panel;
- Feedback from the Director of Finance, the Assistant Director of Finance and Audit Panel to inform the annual appraisal of the Head of Internal Audit, in accordance with Standard 1100;
- Annual Development Reviews conducted for each Internal Auditor based on the principles of the CIPFA Guidance document “The Excellent Internal Auditor” (2010) to inform the appraisal process and identify individual training and development needs.

2.4 Results of internal assessments will be reported to the Audit Panel annually. The Head of Risk Management and Audit will implement appropriate follow-up to any identified actions to ensure continual improvement of the service.

2.5 Any significant areas of non-compliance with the Public Sector Internal Audit Standards that are identified through internal assessment will be reported in the Head of Risk Management and Audit’s Annual Report and used to inform the Annual Governance Statement.

3. EXTERNAL ASSESSMENTS

3.1 External assessments will appraise and express an opinion about Internal Audit’s conformance with the Public Sector Internal Audit Standards definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

Frequency of External Assessment

3.2 An external assessment will be conducted at least every five years, in accordance with the Public Sector Internal Audit Standards. A system of Peer Reviews will be undertaken across the North West Chief Audit Executive Group. The Council’s Internal Audit Service was assessed in March 2018 and was judged to conform to the standards, some minor recommendations were made during the Peer Review and these are detailed in Section 4 below.

Scope of External Assessment

3.3 The external assessment will consist of a broad scope of coverage that includes the following elements of Internal Audit activity:

- Conformance with the *Standards*, Definition of Internal Auditing, the Code of Ethics, and Internal Audit’s Charter, plans policies, procedures, practices, and any applicable legislative and regulatory requirements;
- Integration of the Internal Audit activity into Tameside’s governance framework, including the audit relationship between and among the key groups involved in the process;
- Tools and techniques used by Internal Audit;
- The mix of knowledge, experiences, and disciplines within the staff, including staff focus on process improvement delivered through this Quality Assurance and Improvement programme;
- A determination whether Internal Audit adds value and improves Tameside’s operations.

- 3.4 Results of external assessments will be provided to the Director of Finance and the Assistant Director of Finance and the Audit Panel. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations identified. Any significant areas of non-compliance will be reported in the Annual Report of the Head of Risk Management and Audit and in the Annual Governance Statement.

4. SERVICE DEVELOPMENTS

- 4.1 A key development for 2018/19 is to review the usage of the audit management system 'Galileo' to further maximise efficiencies from the use of e-technology.
- 4.2 To deliver the recommendations from the PSIAS Peer Review conducted in March 2018 detailed at Appendix D.
- 4.3 To review all fraud, bribery and corruption policies plans etc. including the whistleblowing and money laundering policies, to ensure they are fit for purpose and then consider how to effectively deliver training and awareness.
- 4.4 To provide an options paper for the provision of Internal Audit going forward across the Strategic Commission.

5. REVIEW OF THE QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

- 5.1 This document will be appropriately updated following any changes to the Public Sector Internal Audit Standards or Internal Audit's operating environment and will be reviewed at least on an annual basis.

APPENDIX A

QUALITY CONTROL CHECKLIST

QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS			
No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
1	ASSIGNMENT PLANNING		
1.1	<p>Before an audit is allocated, the Principal Auditor needs to speak to the relevant AED and ask if the audit is still relevant and whether there are any issues in the area preventing us from doing the work.</p> <p>Need to ascertain from the AED if there are any:</p> <ul style="list-style-type: none"> • Ombudsman complaints • Significant CRM complaints • Court Proceedings against the Council • HR Issues • To confirm the Executive Member <p>Principal Auditor to also check with Insurance to ensure there are no insurance issues/claims.</p>		
1.2	If any issues are highlighted, discuss further with HR/Legal to determine whether the audit should go ahead or be postponed.		
1.3	Assignment allocated to auditor(s) from Audit Plan and Galileo updated.		
1.4	Speak to key Auditee to agree the timing of the audit.		
1.5	<p>Familiarisation with audit area by reading/ reviewing:</p> <ul style="list-style-type: none"> • Business Plan/other background papers/information (Intranet) • Review previous working paper file, report and PAR if applicable and note any outstanding issues, which may impact upon the terms of reference. • CIPFA Matrices • TIS Online • Better Governance Forum 		
1.6	<p>Meet with key auditee(s) to discuss and agree the Terms of Reference and the expected dates for the Draft Report and Closure Meeting.</p> <p>Request access to the relevant systems as required. Also request any data downloads/reports that could be obtained to carry out analysis and testing.</p>		

QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS			
No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
1.7	Draft Terms of Reference for review by Principal/Senior Auditor		
1.8	<p>Email approved Terms of Reference to:</p> <p>Auditee AED/ED Chief Executive (SP) Monitoring Officer (SS) Section 151 Officer (BJ) Executive Member ** AED Legal Services AED People and Workforce Development Head of Resource Management External Audit (GM) BCC to Head of Risk Management and Audit</p> <p>** Check the Executive Member is still relevant and whether they have an assistant.</p>		
1.9	Update Galileo with audit start date and the date the Terms of Reference was issued.		
2	FIELDWORK		
2.1	<p>For each area of risk being reviewed, identify expected controls that need to be in place to manage those risks.</p> <p>Each risk and its expected controls need to be entered onto Galileo on the Internal Control Evaluation/Action Plan (ICEAP).</p>		
2.2	To ascertain the actual controls in place send a copy of the ICEAP to the auditee and make an appointment to visit them to agree the actual controls.		
2.3	Record the actual controls in place as per management on the ICEAP at the meeting using your laptop where possible to reduce re-working.		
2.4	Compare the actual controls against the expected controls.		
2.5	Where there is no control or the control is unsatisfactory, record this as a finding and make an appropriate recommendation.		
2.6	Where the control appears to be satisfactory identify your testing and complete the testing section within Galileo.		

QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS			
No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
2.7	Agree test programme and prioritisation of the tests with Principal/Senior Auditor.		
2.8	Conduct tests and record results in Galileo in the Testing sections, attaching working papers where appropriate. Use IDEA where possible to select samples and also to carry out tests.		
2.9	Monitor time closely to ensure planned days are not exceeded. Ensure you leave yourself with some contingency days to undertake follow up work needed after the Draft Report and working papers have been reviewed by Principal/Senior.		
2.10	If you think you will exceed your planned days, you need to discuss progress with your Principal/Senior to review the scope and testing plan for the audit.		
2.11	Update the ICEAP with test results in terms of concise findings and recommendations.		
2.12	Discuss findings and recommendations with key auditee(s). Do not indicate what level of assurance may be allocated at this stage, in case it is altered when it is reviewed.		
3	REPORTING		
3.1	Produce the Draft Report comprising of Executive Summary, ICEAP and appropriate audit opinion.		
3.2	Ensure all required documents in respect of the audit are scanned into Galileo and stored in the working papers section.		
3.3	Pass the completed work and Draft report to Principal/Senior Auditor for review.		
3.4	Review notes compiled by Principal/Senior Auditor and followed up by Auditor concerned.		
3.5	If any HR or legal issues have been identified as part of the audit please arrange to speak to the AED Legal Services or People and Workforce Development for clarification. The objective here is to ensure that Legal agree with the auditee and that HR can give consideration to issues highlighted as there may be wider implications.		

QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS			
No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
3.6	Auditor to start completion of the Job Appraisal Sheet.		
3.7	<p>Send Draft Report to each Auditee via e-mail, stating that they will be contacted to arrange a closure meeting to discuss the report and obtain management responses.</p> <p>Inform auditee(s) that they will be expected to have prepared responses to the recommendations and completed the action plan prior to the closure meeting.</p>		
3.8	If a LOW Level of Assurance is given ensure that the appropriate AED is sent a copy of the Draft Report.		
3.9	Update Galileo accordingly.		
3.10	Arrange Closure Meeting within two weeks (of issue date) with all auditees responsible for implementing the recommendations (Principal/Senior Auditor to attend as appropriate).		
3.11	<p>Attend Closure Meeting. At the meeting check again with all present whether there are any:</p> <ul style="list-style-type: none"> • Ombudsman complaints • Significant CRM complaints • Court Proceedings against the Council • HR Issues • Confirm the Executive Member and/or Assistant <p>Also check again with Insurance to ensure there are no insurance issues/claims?</p>		
3.12	If there are any issues the audit must be discussed with the Head of Risk Management and Audit Services.		
3.13	Compile Final Report, incorporating management responses within the Action Plan. (Also, action to be taken by whom and by when)		
3.14	Final Report reviewed by Principal/Senior Auditor.		
3.15	If any Legal or HR implications (or references to Legal/HR) have come to light in any of the management responses these must be referred to Aileen Johnson and Tracy Brennand for clearance before the AED/ED is asked to sign off the report.		

QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS			
No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
3.16	<p>Final Report to be signed off by AED/ED – Ask AED/ED if any:</p> <ul style="list-style-type: none"> • Ombudsman complaints • Significant CRM complaints • Court Proceedings against the Council • HR Issues • To confirm the Executive Member and/or Assistant <p>Also check again with Insurance to ensure there are no insurance issues/claims?</p>		
3.17	Email Final Report to Head of Risk Management and Audit for review before it is issued. If no response is received within two weeks send a reminder email.		
3.18	<p>Once review points have been cleared email Final Report in PDF format to:</p> <p>Auditees Executive Director/Assistant Executive Director, Chief Executive (SP) Monitoring Officer (SS) Section 151 Officer (BJ) Executive Member(s)/Assistant Head of Resource Management External Audit</p>		
3.19	If the Level of Assurance is LOW email a copy of the report to Councillors Jim Fitzpatrick and Bill Fairfoull.		
3.20	Update Galileo accordingly, ensuring that the Level of assurance is entered correctly and that a copy of the Final Report is saved.		
3.21	Email Customer Questionnaire (CQ) and update Galileo accordingly. Add calendar date for follow up in two weeks.		
3.22	<p>If CQ is not returned within two weeks of issue, chase it up and ensure receipt of completed questionnaire.</p> <p>Any problems should be reported to Principal/Senior Auditor.</p>		
3.23	Enter date of receipt and CQ results into Galileo.		
3.24	Job Appraisal Sheet to be completed and discussed with Auditor.		

QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS			
No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
3.25	Ensure that Galileo has been updated, a copy of the Final Report uploaded and the Level of Assurance recorded correctly.		
3.26	Auditor to schedule the PAR in calendar for three or six months time depending on level of assurance given.		
3.27	Update the PAR Spreadsheet with details.		
3.28	Scan the completed QCC into Galileo		
4	FOLLOW UP		
4.1	<p>Before a Post Audit Review (PAR) is allocated, the Principal Auditor needs to speak to the relevant AED and ask if the PAR is still relevant and whether there are any issues in the area preventing us from doing the work.</p> <p>Need to ascertain from the AED if there are any:</p> <ul style="list-style-type: none"> • Ombudsman complaints • Significant CRM complaints • Court Proceedings against the Council • HR Issues • To confirm the Executive Member and/or Assistant <p>Principal Auditor to also check with Insurance to ensure there are no insurance issues/claims.</p>		
4.2	Principal Auditor to determine the number of days for the PAR and update Galileo accordingly.		
4.3	When allocated with a PAR issue the Post Audit Review documentation to the responsible Officers.		
4.4	Update the PAR spreadsheet.		
4.5	Arrange a meeting to discuss the PAR and obtain confirmation of what action has been taken.		
4.6	Conduct PAR, based upon information obtained/ received. Ensure that adequate testing is undertaken and evidence is obtained and uploaded on to Galileo to support implementation of the recommendation(s).		
4.7	Compile PAR, incorporating management responses and Internal Audit Findings.		

QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS			
No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
4.8	PAR reviewed by Principal/Senior Auditor.		
4.9	If any Legal or HR implications (or references to Legal/HR) have come to light these must be referred to Aileen Johnson and Tracy Brennan for clearance before the AED/ED is asked to clear the report.		
4.10	Obtain sign-off from AED/ED - Ask AED/ED if any complaints, ombudsman complaints or HR issues are ongoing which may be affected if the PAR were to be issued.		
4.11	Email a copy of PAR to the Head of Risk Management and Audit for comments. Indicate the Level of Assurance given at the audit and whether it contains any outstanding significant recommendations that need to be reported to the Audit Panel or Greater Manchester Pension Fund's Local Board. If no response is received within two weeks send a reminder email.		
4.12	Once review points have been cleared issue PAR (in PDF Format) to all recipients of the Final Report.		
4.13	Update Galileo accordingly		
4.14	Update the PAR Spreadsheet accordingly.		
4.15	Save a copy of the finalised PAR in Galileo.		
4.16	If a follow up PAR is needed, schedule in calendar, update Galileo and the PAR Spreadsheet accordingly.		
4.17	Scan the completed QCC into Galileo		
4.18	When the follow up PAR is due, follow steps 4.1 – 4.17 if applicable.		

Please Note

The corporate standard for report writing is as follows:-

- Arial 11 and Justified
- 2 spaces between start and end of new sentence
- 2 spaces between start and end of section
- 2cm Margins
- Date Format - xx Month 2015 (no ths, st etc)

Audit specific standards:-

Do not use '&'

Do not use don't, haven't etc.

APPENDIX B

CUSTOMER SATISFACTION QUESTIONNAIRE

To:
Audit
Title:
Auditor:

Date:
Project
Ref:

In accordance with the concept of Continual Improvement, the Internal Audit Section is continually monitoring and striving to improve its methods of operation, with the aim of giving you a better service.

Part of this process involves obtaining your opinion on individual audits, the process adopted and the conduct of audit staff.

Your comments/feedback is important to us, not only will it be used to improve the audit process but also to identify training needs for individual auditors.

	Excellent	Good	Fair	Weak	Unsatisfactory
AUDIT PLANNING					
Consultation on audit coverage, process and timing					
AUDIT PROCESS					
Were interruptions to your operations kept to a minimum?					
How well did we achieve the scope and objectives?					
Did the audit cover the relevant business risks?					
QUALITY OF AUDIT REPORT					
Clarity of report					
How well did we communicate the findings of the audit prior to issuing the draft report?					
Accuracy of audit findings					
Value/practicality of audit recommendations					
TIMING					
Duration of the audit					
Timeliness of the draft audit report					
AUDITOR					
Communication with yourself and auditees.					
At the conclusion of the audit how well did the auditor understand the subject?					
Was the auditor responsive to what he/she was told?					
How well were queries that arose during the audit dealt with?					
EQUALITY					
During the audit process have you been treated fairly with regards to ethnicity, gender, disability, age, religion/belief and sexual orientation?					

If Unsatisfactory or Weak is selected please explain why. We cannot improve without knowing the reasons behind these lower scores.

- A. Was there anything about the audit that you especially liked/disliked?
- B. Do you have any comments about the format of the audit report?
- C. Was the audit useful?
- D. Was the audit relevant?
- E. Have you any suggestions as to how we can improve?

Signed

Date

Thank you for taking the time to complete this questionnaire.

Please return it to Wendy Poole, Audit Manager in Room 2.33a or by email
(wendy.poole@tameside.gov.uk)

APPENDIX C

INTERNAL AUDIT – PERFORMANCE TARGETS

CATEGORY	DESCRIPTION	NARRATIVE	HOW IT'S MEASURED	TARGET
COMPLIANCE	Public Sector Internal Audit Standards Compliance	Level of compliance with requirements of Public Sector Internal Audit Standards / Local Government Application Note	Annual Self-Assessment / External Assessment (5 yearly)	100%
OUTPUTS	Audit coverage	% of Plan Complete	Audit time recording / workflow management system	90%
OUTPUTS	Audit Impact	% Recommendations Implemented	Audit time recording / workflow management system	90%
QUALITY	Customer Satisfaction	90% of customers "satisfied ≥ 65%"	Customer Satisfaction Questionnaire	100%
OUTPUTS	Fraud Cases	No. of Irregularities Reported/Investigated	Audit time recording / workflow management system	Downward Trend

Tameside Metropolitan Borough Council Internal Audit Service – PSIAS Action Plan

The following points for action to develop the Audit Function arising from the peer review are detailed below:

PSIAS Ref	Ref No.	Points for Consideration	Responsible	Action
1110	1	Consideration should be given to obtaining formal feedback from the Chief Executive and Chair of Audit Committee for the annual appraisal of the Head of Risk Management and Audit.	Director of Finance	The Annual Development Review for the Head of Risk Management and Audit will take on board the recommendation made.
1130	2	Consider allocating the formal SIRO designation to a chief officer, even if the internal audit team continues to support the SIRO function.	Director of Finance/Director of Governance and Resources	The roles relating to Information Governance are being discussed at a meeting on 9 May 2018.
2010	3	Consideration should be given to demonstrating how the audit plan and priorities align to the corporate risk register, assurance framework, link to the Council's objectives and priorities and the prioritisation of audit assignments.	Wendy Poole Head of Risk Management and Audit Services	The Audit Plan for 2018/19 will be presented taking on board this recommendation.
2010	4	The audit plan could be more specific to outline what an optimum level of staff would be able to deliver. This would enable the Audit Panel and Senior Management Team to make an informed assessment of the adequacy of staffing levels.	Wendy Poole Head of Risk Management and Audit Services	The planning process for 2018/19 and future years will incorporate the recommendation made.
1300	5	The Quality Assurance and Improvement Programme (QAIP) should include an action plan identifying steps which will be taken to continually improve the service and enable Audit Panel to monitor progress. The Quality Assurance and Improvement Programme should also be referenced in the Annual Report.	Wendy Poole Head of Risk Management and Audit Services	The Quality Assurance and Improvement Programme (QAIP) for 2018/19 will take on board the recommendation and detail the improvements included in this report as a minimum.

APPENDIX D

During the review the following additional points for consideration were identified. Whilst these specific points are out of scope of the PSIA Standards / LGAN requirements, they are nonetheless contributory to the overall effectiveness and efficiency of the Internal Audit Service and are presented for information and consideration only:

Rec No.	Points for Consideration	Responsible	Action
1	The Audit Plan and Progress reports to Audit Panel are described as reports of the AD Finance/Director of Finance with the Head of Risk Management and Audit also listed as a reporting officer. To ensure that audit retains its organisational independence we recommend that the reports go in the name of the Head of Risk Management and Audit.	Wendy Poole Head of Risk management and Audit Services	This will be discussed with the Director of Finance and Director of Governance and Pensions, as normal practice at the Council is for the Director to be listed then the reporting officer.
2	Consideration should be given to identifying the skills needs by the audit team to assist the Council with its current transformation programme and provide training and development opportunities to address any skills shortage.	Wendy Poole Head of Risk management and Audit Services	This will be discussed with the Director of Finance to ensure the appropriate skills are identified and training and development opportunities to address any skills shortage delivered.
3	Clearer guidance on the extent of post audit review work should be documented in line with the number and priority of recommendations. In addition, improved transparency could be achieved by including post audit reviews in the periodic progress reports to Audit Panel. Consideration should also be given to the process for agreeing extensions to target implementation dates and post audit review timings.	Wendy Poole Head of Risk management and Audit Services	Further enhancements to the progress reports to the Audit Panel were introduced during 2017/18 and the recommendation will be considered for the reporting process for 2018/19.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Report To:	GREATER MANCHESTER PENSION FUND LOCAL BOARD
Date:	9 August 2018
Reporting Officer:	Sandra Stewart, Director of Governance and Pensions Euan Miller, Assistant Director (Funding and Business Development)
Subject:	CIPFA GUIDANCE FOR LOCAL PENSION BOARDS
Report Summary	The Chartered Institute of Public Finance & Accountancy ('CIPFA') have recently published a guide for local pension boards. This is attached as an appendix to the report. This may be useful in assisting board members to consider future areas of focus for the GMPF Board.
Recommendations:	Members are asked to note the CIPFA guide and consider in advance of the next Board meeting any future areas of focus for the GMPF Board.
Policy Implications:	None.
Financial Implications:	None.
(Authorised by the Section 151 Officer)	
Legal Implications: (Authorised by the Solicitor to the Fund)	The responsibilities of local boards in the LGPS are set out in the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015. The 2015 Governance Regulations require employer and member representatives to have the "capacity" to represent employers and members respectively. Board members are also required to acquire appropriate "knowledge and understanding" of pension matters, under the Pensions Act 2004.
Risk Management:	The purpose of the Local Board is to oversee compliance type activities and to support effective and efficient governance of the Fund. Thus its role is likely to focus on mitigating risks.
ACCESS TO INFORMATION:	NON-CONFIDENTIAL This report does not contain information which warrants its consideration in the absence of the Press or members of the public.
Background Papers:	For further information please contact Euan Miller, Assistant Director – Funding and Business Development, tel 0161 301 7141, email euan.miller@tameside.gov.uk.

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the guide for

local pension boards



CIPFA and its training partner for local pension boards, Barnett Waddingham, hold an annual event exclusively for local pension board members, supplemented with half-day regional events for local pension board members, and also for support officers.

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance.

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the guide for

local pension boards

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Foreword

Much experience has been gained since 31 July 2015, the deadline for the first meetings of local pension boards within the Local Government Pension Scheme (LGPS). The potential scope for boards, with their non-decision making role, to add value, was perhaps not fully appreciated at that time. Indeed, initially there were views that boards were an unnecessary additional layer of costs.

Since their establishment, experience has varied greatly between boards. In general terms however, their ability to add value by making recommendations to and gaining assurances on behalf of the pensions committee is becoming increasingly apparent. Boards have become critical but supportive friends of pensions committees. Many board members are voluntary yet want to justify their significant personal commitment by producing worthwhile outcomes. This desire has been justified by the expectations of two key external bodies, the Scheme Advisory Board (SAB) and The Pensions Regulator (TPR). The profile of both bodies has increased significantly since 31 July 2015. Regular surveys and engagement are now the norm, aimed at raising the bar for local pension boards.

CIPFA is committed to high standards of governance and in July 2015 the CIPFA Pensions Panel published [Local Pension Boards: A Technical Knowledge and Skills Framework](#). This new 2018 publication contains various ideas which could help local pension boards in their quest to add value and ensure that they fulfil the various requirements and responsibilities which rest on their shoulders. In Chapter 6, this guide refers to TPR's [Code of Practice 14: Governance and Administration in Public Service Pension Schemes](#), particularly the key issues of the degree of knowledge and understanding required of pension board members. However, it is no substitute for reading the full code, which should be read in conjunction with this guide.

This publication has been developed to add to the existing guidance produced by the SAB and seeks to offer further insight into a range of issues. The publication does not replace the existing SAB guidance or TPR Code of Practice and related guides.

CIPFA would like to thank Gerard Moore for preparing this guide, along with all those who contributed or provided assurance including representatives of the CIPFA Pensions Panel, chaired by Mike Ellsmore.

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CHAPTER 1

Legislation and functions

This chapter sets out the basics of the key pieces of legislation pertaining to local pension boards.

PUBLIC SERVICES PENSIONS ACT 2013 (PSPA 2013)

The LGPS is a scheme under Section 1 of this Act, and as such the LGPS regulations must provide for the establishment of a board with responsibility for assisting the scheme manager (or each scheme manager) in relation to the following matters:

- Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it.
- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by TPR.
- Such other matters as the scheme regulations may specify.

In making the regulations the responsible authority must have regard to the desirability of securing the effective and efficient governance and administration of the scheme and any connected scheme.

The above, and further requirements under PSPA 2013, were subsequently enacted within the LGPS Regulations 2013.

RELEVANT EXTRACTS FROM THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013 (AS AMENDED)

106. (1) Each administering authority shall no later than 1 April 2015 establish a pension board ('a local pension board') responsible for assisting it

(a) to secure compliance with:

- (i) these Regulations*
- (ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme*
- (iii) any requirements imposed by The Pensions Regulator in relation to the Scheme and any connected scheme, and*

(b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

(7) Except where a local pension board is a committee approved under paragraph (2), no member of a local pension board shall have a right to vote on any question unless that member is an employer representative or a member representative.

(8) A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

(9) The expenses of a local pension board are to be regarded as part of the costs of administration of the fund held by the administering authority.

The LGPS Regulations 2013 set out more details which reflect the requirements of PSPA 2013.

THE LGPS (INVESTMENT AND MANAGEMENT OF FUNDS) REGULATIONS 2016

There are two references to local pensions boards in these regulations and the associated guidance issued by the former DCLG (now MHCLG – see below).

As background, Regulation 7(1) requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the secretary of state.

Regulation 7(2)(e)

How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

In formulating and maintaining their policy on social, environmental and corporate governance factors, an administering authority:

- must take proper advice
- *should explain the extent to which the views of their **local pension board** and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors.* (Italics and boldening added.)
- must explain the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments
- should explain their approach to social investments.

Regulation 8

This enables the secretary of state to issue a direction if he is satisfied that an administering authority is failing to act in accordance with this guidance.

Before issuing any direction, the secretary of state must consult the administering authority concerned and before reaching a decision, must have regard to all relevant evidence including reports under Section 13(4) of the Public Service Pensions Act 2013, *reports from the scheme advisory board or from the relevant **local pension board***, and any representations made in response to the consultation with the relevant administering authority (italics added).

THE MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT

In January 2018, the Department of Communities and Local Government (DCLG) was renamed the Ministry of Housing, Communities and Local Government (MHCLG). The former DCLG in effect was, until the PSPA 2013, the sole regulator of the LGPS and was responsible for effecting relevant legislation.

Primary legislation refers to new laws which require an Act of Parliament for them to be in force.

Much of the detailed requirements under which the LGPS operates are issued via statutory instruments, such as the LGPS (Management and Investment of Funds) Regulations 2016. These represent secondary legislation which is much speedier to introduce.

Proposed changes of regulations issued by the MHCLG are open to prior consultation. There could be consultations on which boards may feel that they have a useful view to express.

CHAPTER 2

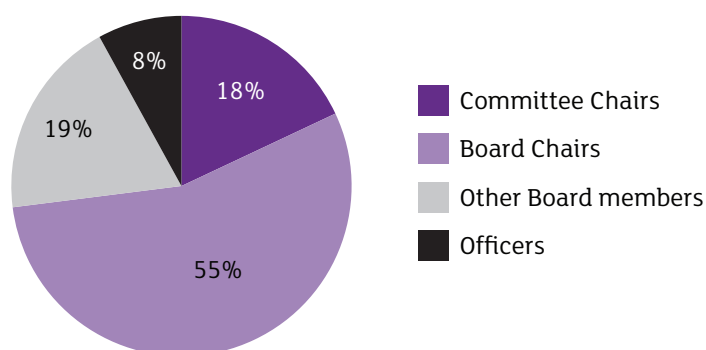
Board relationships

This chapter looks at how the local pension board interacts with other areas of the administering authority and also at other key relationships. Appendix IV has a governance map showing where boards fit in.

In the autumn of 2017 the SAB issued a survey to all funds entitled *Survey of LGPS Local Pension Boards*, which was to be independently responded to by both committee and board chairs.

The scale of responses was below expectations, which may be a reflection of a lack of engagement and/or lack of resources to effectively manage the pensions function. Seventy-four percent of the responses were received from board chairs and members. Figure 2.1 gives a breakdown of the survey respondents.

Figure 2.1: Survey respondents

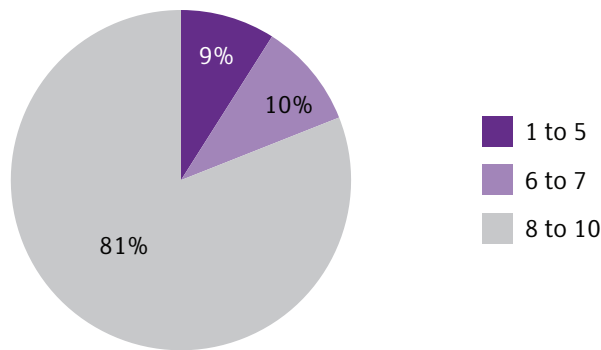


The results below should therefore be considered indicative and in the context of further work by the SAB in the future.

At the time of writing this guide, an analysis, conclusions and recommendations from the narrative responses were not available, so the details that follow only cover those quantifiable answers.

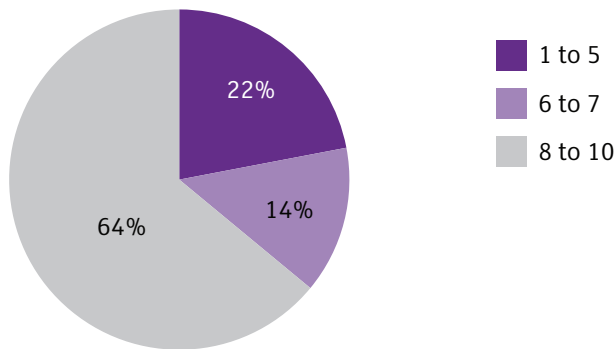
A healthy 81% of respondents gave a score of at least eight out of ten, to reflect the relationship between the administering authority and the board, though 9% scored a five or lower.

Figure 2.2: Relationship between administering authority and board



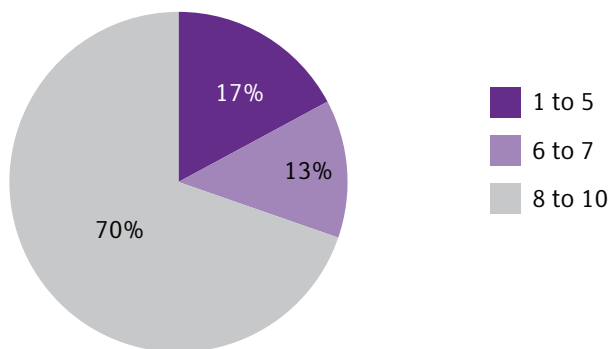
Less positive was the relationship between the pension committee and the board, with a worrying 22% scoring a five or lower. This statistic could represent a combination of dissatisfaction from a committee perspective as to perceived lack of achievements of the board, and frustration from boards about perhaps not having a meaningful enough role to justify their time commitment to the knowledge and skills requirements. It seems important to reflect locally on whether the relationship needs a review. If so, some of the aspects identified in the following paragraphs could be of use.

Figure 2.3: Relationship between committee and board



Bringing together the effectiveness of communication between the three parties, the administering authority, pensions committee and board, a higher figure of 70% scored it at least eight out of ten, and a lower figure of 17% scored a five or lower.

Figure 2.4: Overall relationship between administering authority, committee and board



RELATIONSHIP WITH THE PENSIONS COMMITTEE OR PENSIONS PANEL

So what can be done to improve the ratings in Figure 2.3?

Access to agendas

It can be argued that, to effectively perform their functions, boards need access to both the open and closed areas of the agenda of the pensions committee. If meetings of the board are held in public, appropriate arrangements would be required to deal with 'exempt' items.

Cross observation

Arrangements whereby the board, or the board chair, attend the full meeting of the pensions committee, and similarly the chair/vice chair of the pensions committee attends meetings of the board, are to be commended. This immediately establishes transparency and with it mutual trust. This helps in both directions: the board is helped when reviewing the agenda and minutes of the previous pensions committee and the pensions committee is helped when the board is examining an item in some depth, such as the breaches log, and then making its observations and recommendations to the pensions committee.

Meetings of both chairs

An alternative approach is for regular meetings of the chairs of the committee and the board. To be of optimal value, this should be at least half-yearly.

Feedback mechanisms

The 2017 SAB survey indicates that 63% of respondents gave a score of at least eight out of ten to reflect the ability of the board to make recommendations to the pensions committee, with 21% scoring a five or lower. A broadly similar 67% scored at least eight out of ten rating of the administering authority's response to any such recommendations, with 21% scoring a five or lower. These responses could reflect views on the ability (knowledge and skills), opportunity (a meaningful role and agenda) and a process for a board to make recommendations to the committee.

If we look at process, the board should routinely receive the minutes, or draft minutes, of the previous pensions committee. However, there are various options for the pensions committee to learn of the outcomes of meetings of the board. As board minutes can extend to several pages, a suitable executive summary could be made as an agenda item at the following meeting of the committee. This could summarise the recommendations of the board, with the appropriate justifications. It could list the assurances the board has gained, with sources. It could also highlight any other issues the board believes would be of interest to the committee.

Requests from the committee and recommendations and assurances from the board

Ideally a board can have an early look at some detailed reports and make recommendations and observations to help focus committee members on the high level messages. One such

example is for a board to examine the list of recorded breaches and probe for common weaknesses, eg with particular employers, or in specific activity areas, such as poor key performance indicators (KPIs) in areas such as the timely processing of new members forms, of notifying the amounts of benefits payable on retirement and the provision of annual benefit statements. Additionally, boards could examine and make recommendations on draft strategy statements, such as investment strategy, communications strategy and administration strategy.

Joint training

Perhaps the majority of training in the two years following the inception of boards has been arranged jointly for pension committees and pension boards. However, the need to comply with MiFID II from January 2018 may force a change of approach. Under MiFID II, the knowledge and understanding of pension committees regarding investment issues is judged as a whole, including the experience of key support officers and investment advisers. However, for boards whose primary focus is on administration, each board member is expected to be conversant with the regulations and with the law. With these differing requirements, the provision of future training may need to be targeted more specifically.

RELATIONSHIP WITH FUND OFFICERS

Some boards will have a designated board secretary to service the board. This is generally seen as helpful. We have noted in Figure 2.2 that 81% of respondents gave a score of at least eight out of ten, to reflect the relationship between the administering authority (taken as a proxy to represent the officers) and the board.

Agenda setting, work programme and training programme

All three are areas where the relationship between the board secretary and board chair is of key importance.

Commissioning special reports for the board

This can help the board gain assurances in areas that may not otherwise receive scrutiny as perhaps they were not deemed of sufficient importance to justify an appropriate time resource at the committee. An example is examining detailed projections of cash flows, including arrangements for disinvestment should cash income to the fund (from contributions and investments) be insufficient to meet expenditure (payments of benefits). Communication with scheme members is another such area, with the board able to examine sample documents for ease of understanding, comprehensiveness etc. A number of boards have commissioned reviews of the scheme's governance by an external party and this has provided a useful benchmark for boards in contributing to the governance of the scheme.

When commissioning reports, the board would need to consider whether the board secretary has the capacity to undertake reviews in the light of other day to day pressures from pooling or whether external support is required.

Assisting the officers with appropriate recommendations to help improve the quality of data

Where officers are reporting concerns, perhaps as revealed in the breaches log, regarding the timely submission of accurate data from all scheme employers, the board can make recommendations and observations which officers can use to help ensure that scheme employers fulfil their obligations, as reflected in the administration strategy. In addition, should there be an annual employers' conference – the board chair can use that opportunity to reinforce these messages.

Section 151 officers

There is merit in the chair of the board having an annual or semi-annual meeting with the Section 151 officer. This gives an opportunity to discuss any overarching concerns. The role and expertise of the Section 151 officer has become more critical due to the requirements of complying with the MiFID II regulations. It is usually the Section 151 officer who bears responsibility for the effective management of the pension fund, and thus for ensuring appropriate resourcing. As such, boards can express their concern should they feel poor KPIs reflect an under-resourced or under-skilled pensions function.

Internal auditors

The board could potentially invite the internal auditors to present on the findings of any internal audit reports recently completed.

RELATIONSHIP WITH SCHEME MANAGER

In some cases, the scheme manager is a named person, or more commonly, a named role. There appears to be an expectation from the regulator that the scheme manager is quite 'hands-on' rather than being a token figure. The generic application of the term can sometimes lead to confusing responses to surveys. When the opportunity arises to review the terms of reference, and/or perhaps the constitution, consideration could be given to this issue.

RELATIONSHIP WITH THE LOCAL PENSION POOLING PARTNERSHIP

This is separately discussed in Chapter 9.

RELATIONSHIP WITH OTHER EXTERNAL SUPPLIERS OF SERVICES TO THE FUND

This is particularly important should the administering authority use a **third party administrator**, or participate in a **shared service** arrangement for administration. A key focus should be on data quality, so a board could both examine any service level agreement (SLA) and determine what reports it needs from its administrator in order to fulfil its functions. This would also involve examining those KPIs resting with the administrator.

With so much of the regulator's focus being on administration, there needs to be a sufficient component on each board agenda relating to information from an outsourced administrator, and boards may need to probe quite deeply to gain appropriate assurances. The administering authority cannot, however, delegate accountability to third party administrators.

It is possible that the board could seek reassurances from the **scheme actuary** regarding the quality of data made available for the triennial valuation. Similarly, reassurances from the **Government Actuaries' Department (GAD)** could be sought regarding the quality of the data used for its Section 13 reports.

A board can examine the investment monitoring reports from **asset managers**, and/or in due course from the pool, to consider whether those reports are structured to allow the pensions committee to easily understand how well the mandate is performing relative to its requirements. This ideally means comparing performance **net** of investment management charges and associated investment costs, but should ensure consistency between the gross or net assumptions within the funding strategy statement and the investment strategy statement and the performance monitoring being reported to the committee. The transparency of investment management costs could also be examined.

Board structure and operations

This chapter sets out the governance requirements of the board and issues to consider when establishing the board structure and operations.

TERMS OF REFERENCE

The 2017 SAB survey indicated that 100% of respondents had terms of reference (TORs) in place. Of these, 80% of respondents gave a score of at least eight out of ten, although 8% scored a five or lower.

Are the original TORs still appropriate in the light of experience? Are they too rigid? Are they a constraint to a board achieving to its potential? Are the number of representatives from the employers and scheme member side still appropriate in the light of experience?

Generally speaking, it appears that very few agenda items lead to split votes. Are the voting rights clear? Is it clear that an independent chair had no vote? Is it clear what to do in the event of a tied vote?

A revision of the TORs might well require an item on the agenda of full council, so perhaps an annual or biennial review is sensible, but best to avoid frequent little tweaks.

Some, but not all, TORs include internal procedures to be followed in the event of a difference of view between the board and the committee, eg regarding whether to report a breach of the law to the TPR.

SELECTION AND ROLE OF VOTING MEMBERS

Under paragraph 106 (7) of the LGPS Regulations 2013 (as except where a local pension board is a committee approved under paragraph 2) no member of a local pension board shall have a right to vote on any question unless that member is an employer representative or a member representative.

In the light of experience, are the arrangements in place for the appointment of the original board members still appropriate, or are changes needed? Is the selection process too rigid and/or costly in terms of time and resources now that replacements are being required? If ballots of scheme members are currently required, is the process too complex? Is there a more practical approach? If there is an interview panel approach, is it effective, and does it offer an opportunity to identify a pool of potential future candidates in the event of further vacancies on the board? Or is basic head hunting the least costly, faster and most effective process? What has become increasingly clear is the value of appointing board members who can bring relevant skills and experience.

An interesting question is whether there should be a 'job description equivalent' for board members, and maybe a person spec. This could help reduce early turnover with all parties having a good understanding of both the expectations and demands of the role. Note that CIPFA's publication [Local Pension Boards: A Technical Knowledge and Skills Framework](#) (July 2015) shows a suggested job description and role profile for the chair of a pension board.

Appendix I sets out a suggested 'at a glance' summary of the potential role and expectations of pension board members.

Although individual board members may be employed by or represent specific organisations, they act on behalf of all scheme members and employers in their role on the board. Ideally scheme member representatives should be able to feed back to their members, and there are various routes for this including, where appropriate, via trade unions or perhaps by including an article on the board's role and activities in a bulletin for scheme members produced by the fund.

Appendix II sets out a similar description for pension board chairs.

Under the TPR's Code of Practice 14, those responsible for appointing members to a pension board should consider the mix of skills and experience needed on the pension board in order for the board to operate effectively in light of its role, responsibilities and duties.

Regarding the periods of appointment, is a cliff-edge 'all change' scenario avoided? Are the appointment periods staggered? Should a scheme member representative change status, eg from active to deferred or to retired; do or should the terms of reference mitigate the danger of losing an experienced board member?

SELECTION OF EMPLOYER REPRESENTATIVES

In the light of experience, and in particular the focus of TPR on data and processes, do the current appointees bring the right skill set to the board? As the administering authority is reliant on accurate and timely information flows from scheme employers, are suitable practitioners on board? Elected members are subject to the ballot box at pre-determined periods – is the board subject to the same cliff-edge scenario as the pensions committee? Can some risk mitigation be brought in? The overarching issue is that scheme employer representatives do not solely represent their particular employer on the board, and ideally bring employer experience to the table.

SELECTION OF SCHEME MEMBER REPRESENTATIVES

Two dimensions dominate this subject: the issue of representation across the 'active', 'deferred' and 'pensioner' categories all being represented, and whether or not any/all scheme member representatives need to be trade unions representatives, and if so who appoints them. Scheme member representatives should be representing all scheme members, although varied membership can bring advantages. All these are for local decisions, but from experience, too rigid an arrangement can result in the loss of effective board members should they change status, eg retire.

DE-SELECTION OF BOARD MEMBERS

Are the criteria spelt out in the terms of reference? Is there a degree of discretion, for example to avoid automatically losing a skilled and experienced board member who through circumstances has been unable to attend a series of meetings? Is the process clear? Or is this a looser arrangement altogether? Is attendance at training events poor? Do training needs analyses indicate little progress? Or do individual board members not yet fully understand their role?

It appears that the expectations of and results of surveys by the both TPR (see Chapter 5) and the SAB (see Chapter 4) are focusing in on areas of underperformance. Indeed TPR can, under its reserved powers, replace a board. In terms of reputational risk to the administering authority, in-house solutions aimed at avoiding this outcome are clearly preferable. The ability of a board to do its own self-assessment can highlight issues of performance. Unlike a pensions committee, each board member is separately accountable for their performance, their commitment to training and their attendance.

RESIGNATIONS OF BOARD MEMBERS

These could be due to any number of reasons, such as losing an election, leaving a specific role which was a requirement for appointment in the first place, losing the required capacity regarding time commitment, all of which to an extent are subject to external factors.

However, some reasons could relate to the way to board is being run, eg board members had erroneously expected the role to involve more decision making, but more worrying should be a frustrated board which feels it could achieve more and better outcomes if it was given more scope. Issues such as board members/chair not being allowed to observe at the pensions committee, or perhaps only being allowed access to the public part of the agenda, do cause frustrations and a feeling of not being appreciated, and represent a risk that can easily be mitigated.

A particular concern in some quarters is the potential exposure to fines from TPR, or potential legal action liabilities for non-performance or negligence. This highlights the need for the administering authority to bring a satisfactory local conclusion to the issue of insurance or indemnity for its board members, [following the views of James Goudie Q.C.](#)

NUMBER OF BOARD MEMBERS

In the 2017 SAB survey, regarding the number of voting board members, an arrangement with two employer representatives plus two scheme member representatives (ie 2+2) was the minimum. A 3+3 or a 4+4 were equally common, up to 6+6. Decisions regarding numbers may be influenced by the availability, or otherwise, of suitable candidates, so over-optimism on this aspect may result in unfilled vacancies, and hence poor attendance records.

Linked to size is the issue of the quorum for meetings of the board. One would expect that both employer and scheme member sides must be represented for a meeting to be quorate, although the numbers at each meeting do not need to be equal. A 2+2 is therefore the most vulnerable arrangement.

Other dimensions to consider are the opportunities for all board members to contribute and for meetings to be manageable.

INDEPENDENT CHAIR OR VOTING CHAIR?

When the requirement to establish local pension boards was established, amid doubts as to their value, many administering authorities went for a low-cost option, involving a rotating voting chair, with scheme member representatives and scheme employer representatives alternating every year or two. Others went for a non-voting independent chair and, where independent chairs are remunerated, budgeted accordingly.

Generalising, and recognising that there are exceptions, independent chairs can bring wider and relevant experience, can take pressure off the board secretary by drafting the annual report of the board, and perhaps (help) setting board agendas. They also are often more likely to have a wider awareness of current and future developments within pensions generally. Similarly, it is likely that they will have a greater input into the work programme and the training programme.

It is interesting that TPR has indicated its higher level of expectations from independent chairs.

PAYMENT AND/OR EXPENSES FOR ALL BOARD MEMBERS?

Some authorities do make an allowance, inclusive or exclusive of expenses. As the demands on board members are increasingly being appreciated, this may become more common.

The 2017 SAB survey indicated that 37% of chairs and 21% of other board members are remunerated, whereas 87% of all board members can claim expenses.

FREQUENCY OF MEETINGS

This will be determined by the terms of reference. These may also allow the chair to call additional meetings at his/her discretion, sometimes with requirements to seek approval from the scheme manager.

The experience of the first two years indicated an increase in frequency of meetings.

Some terms of reference allow additional meetings to be held via arrangements such as video conference, teleconference or email, especially if an independent chair does not live locally. These would normally be restricted to issues of an urgent nature, eg a request from a board in the same pensions pool seeking views from all other boards whose funds are in the same pool. The usual protocols for publishing agendas should be followed.

Recent surveys indicate a significant variance in the frequency of meetings, and guidance may be forthcoming. For now, informal discussions with TPR and the SAB suggest four per annum as a suitable number. Indeed, in the 2017 SAB survey, the majority (54%) of boards meet four times a year, whereas 29% only meet twice.

PERFORMANCE OF THE BOARD

Consideration can be given to how effectively the board works.

At time of publication, there are not any formal standard KPIs for local pension boards, although some have been adopted locally.

KPIs reflecting inputs are relatively easy to identify, set appropriate targets for and quantify, eg percentage attendance at meetings, number of meetings which were quorate, number of training events attended.

However, KPIs reflecting outcomes are more problematic. As an example, trying to set targets for the number of recommendations made by the board is influenced by the existing standard of administration: the better it is, the less scope for making recommendations. Training targets could be set and monitored.

The ultimate test is whether the pensions committee is satisfied with the performance of its board.

The Scheme Advisory Board

The Local Government Pension Scheme Advisory Board (SAB) is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110 to 113.

PURPOSE

The purpose of the board is to be both reactive and proactive. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues.

It will consider items passed to it from the (MHCLG), the board's sub-committees and other stakeholders as well as items formulated within the board. Recommendations may be passed to the MHCLG or other bodies. It is also likely that it will have a liaison role with TPR. Guidance and standards may be formulated for local scheme managers and pension boards.

On 1 April 2015 the board was established as a statutory body, and the formal membership was confirmed early in 2016 with non-voting members and advisors added in the summer of the same year.

BUDGET AND WORK PROGRAMME

The board is required to submit a budget and work programme to the secretary of state each year for approval. Once approved the budget for the board is funded via a statutory levy on LGPS administering authorities, which is classified as an administration expense and therefore can be recharged to the pension fund.

Agendas and minutes of SAB meetings and sub-committees are available on the SAB website.

SAB MEMBERSHIP

The membership of the board is designed to include a broad spectrum of scheme stakeholders. Members have been appointed either by appropriate representative bodies or by nomination and election. At time of publication, the SAB consists of a chair (Cllr Roger Phillips) a vice chair (Jon Richards of UNISON), six employer representatives and six scheme member representatives, along with three non-voting members.

SUB-COMMITTEES

At time of publication, the SAB has two sub-committees:

- Cost Management, Benefit Design and Administration Sub-committee
- Investment, Governance and Engagement Sub-committee.

GUIDANCE

The SAB has issued guidance on a number of topics, including on the establishment of local pension boards and template terms of reference, but more recently on the issuing of annual benefits statements.

SAB SURVEYS

In 2017, the SAB undertook a survey of local pension boards. The scale of response was worryingly low, especially from smaller funds, so the overall summaries and conclusions may well not be truly representative. The findings have been interwoven within Chapters 2 and 3.

COMMENTS

The SAB can seek to clarify certain issues on behalf of all LGPS funds, for example, the SAB sought a view from James Goudie QC regarding the legal liability aspect of local pension boards being established by legislation that did not come under the umbrella of various local government acts. The SAB is always interested to learn of any other common issues on which legal advice can be sought on behalf of all funds.

The SAB is also keen on learning of any aspects of the regulations which colleagues feel are proving problematic and could be improved.

The SAB does hold the annual reports of all funds, and also produces a combined annual report for the LGPS which contains some useful stats that local pension boards may want to be familiar with regarding the scheme as a whole.

Finally, there is strong evidence that the SAB, TPR and MHCLG are liaising well and giving consistent messages.

Please note that it is important for the administering authority to notify LGA/SAB of any changes to board membership or contact details.

CHAPTER 5

The Pensions Regulator

Established under provisions of the Pensions Act 2004, The Pensions Regulator (TPR) became a regulator of the LGPS with effect from 1 April 2015 under the Public Services Pensions Act 2013. It is important to recognise that TPR not only regulates the LGPS as a whole, but increasingly monitors each individual fund. As such it is most important for pension funds to ensure that all communications from TPR are handled with due speed and completeness.

TPR's [website](#) is a valuable source of information.

POWERS OF TPR

The powers available to TPR, the full list of which [can be found on its website](#), are either:

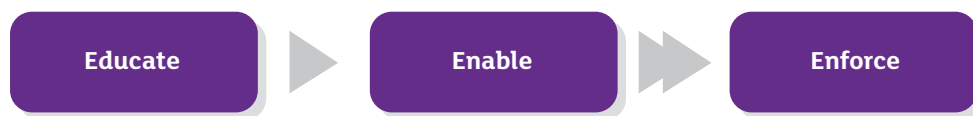
- basic powers, which can be made independently by TPR staff or
- reserved powers, which can only be used by TPR's Determination Panel.

The powers include the following:

- Appoint a skilled person to assist the pension board.
- Civil penalties – up to £5,000 to an individual or £50,000 to a corporate body.
- Collect data through the scheme return.
- Criminal prosecution.
- Improvement notices and third party notices – require specific action to be taken within a certain time.
- Information – require any relevant person to produce any relevant document or information.
- Inspection – at own premises and/or premises of a third party.
- Publish reports about a case (which might include naming those at fault).
- Recover unpaid contributions from employers on behalf of the scheme manager.
- Report misappropriation – notify the scheme manager about pension board conflicts or misuse regarding assets.
- Skilled person report – require scheme managers to provide a report made by a skilled person nominated by the regulator.

LEVELS OF APPROACH

The three levels of involvement initially established by TPR are:



The ‘educate’ function

This was the initial focus of TPR for the LGPS. TPR has various means of helping administering authorities and pension boards, including [The Trustee Toolkit](#), with a special version for public sector schemes, set to be updated in 2018.

All board members are encouraged to complete the toolkit; indeed in many cases all board members are expected/required to do so. See Chapter 8.

The ‘engage’ function

For individual issues, TPR endeavours to use the ‘engage’ process to resolve cases, rather than go direct to the ‘enforce’ powers.

From 2016 TPR put more emphasis on this component, and the following represent types of engagement:

- More visible engagement at conferences.
- Willingness to attend meetings of local pension boards, or regional meetings (and TPR does monitor which funds attend its events). There is a [speaker request form](#) on TPR’s website.
- Offers to keep interested parties aware of developments, such as their annual set of priorities, [by way of email](#).

The ‘enforce’ function

Unless there has been a particularly serious breach of the law, TPR endeavours to use this as a last resort, if it has failed to achieve compliance by using the ‘engagement’ stage.

In 2017, TPR levied the first fine on a public sector pension fund, which happened to be an LGPS fund for non-return of the scheme annual return.

SCHEME ANNUAL RETURN

Funds will normally be asked to submit an annual scheme return. This may become more refined over time. From 2018, the annual return will include feedback on the inclusion and accuracy of common and scheme-specific data, together with a data improvement plan, including resources and timescales:

- Common data: name, address, national insurance number, date of birth etc.
- Scheme-specific data: other member specific data such as service history.

SCHEME ANNUAL SURVEY

TPR also may request that an annual survey be completed and it may require this to be completed online. It may request completion by individuals holding specific roles, such as scheme manager, committee chair or board chair. Since TPR monitors individual funds, completing its surveys is strongly recommended.

HELPFUL INFORMATION FROM TPR'S WEBSITE

- [Improvement plan guidance.](#)
- [Annual benefits statement guidance:](#)
 - [general](#)
 - [checklist](#)
 - [key information for members.](#)
- [Data measuring guidance.](#)
- [Internal controls checklist.](#)
- [Public service – scheme self-assessment toolkit.](#)
- [Public service – personal self-assessment tool.](#)
- [Reporting a breach.](#)
- [Risk register example.](#)
- [Trustee Toolkit.](#)

Board members (and others) can sign up for TPR's email updates.

TWENTY-FIRST CENTURY TRUSTEESHIP

This [TPR initiative](#) is designed to drive up standards of governance across all pension funds, public and corporate.

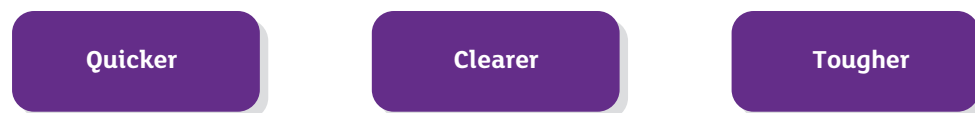
Funds should be aware of the standards required, particularly relating to:

- [good governance fundamentals](#)
- [a clear understanding of roles and responsibilities](#)
- [a clear purpose and strategy.](#)

To achieve this, TPR will:

- [be clearer on the standards expected from trustees and key players and communicating these expectations](#)
- [use bolder enforcement against non-compliance with governance standards \(ie scheme return completion\)](#)
- [encourage consolidation where schemes are unwilling or unable to deliver good governance, including value for members \(corporates\).](#)

Thus TPR has become:



by intervening more quickly and using some of its powers for the first time.

TPR'S DIRECT CONTACTS WITH LOCAL PENSION BOARD CHAIRS

Note that TPR does on occasions contact board chairs directly, so it is important for the administering authority to notify it of any changes to board membership or contact details.

TWITTER ACCOUNT

TPR's Twitter account is [@TPRgovuk](#).

GENERAL DATA PROTECTIONS REGULATIONS 2016 (GDPR)

Although compliance with these regulations, effective from 25 May 2018, is an appropriate topic for board scrutiny, the Information Commissioner's Office (ICO) is the relevant regulator, not TPR.

[ICO's GDPR guidance](#) is available on its website.

The Pension Regulator's Code of Practice 14

TPR's *Code of Practice 14: Governance and Administration in Public Service Pension Schemes* (initial public sector version April 2015) sets out the legal requirements for public service pension schemes in respect of those specific matters. It contains practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.

The code, covering 275 paragraphs, is structured as a reference for scheme managers and pension boards to use to inform their actions in four core areas of scheme governance and administration:

- governing your scheme
- managing risks
- administration
- resolving issues.

This chapter refers extensively to both the background and the first part of the governance element of the code, 'Knowledge and understanding required by pension board members', as that sets the scene for the role, expectations and demands on pension board members. Where appropriate, the relevant paragraph number in the code is quoted.

It is important to note that:

Codes of practice are not statements of the law and there is no penalty for failing to comply with them. It is not necessary for all the provisions of a code of practice to be followed in every circumstance. Any alternative approach to that appearing in the code of practice will nevertheless need to meet the underlying legal requirements, and a penalty may be imposed if these requirements are not met. When determining whether the legal requirements have been met, a court or tribunal must take any relevant provisions of a code of practice into account. (Paragraph 5)

In this context, it is important to note that **must** implies a legal requirement and **should** refers to practical guidance and the standards expected by the regulator.

This code is particularly directed at scheme managers and the members of pension boards of public service pension schemes and connected schemes. Scheme managers must comply with various legal requirements relating to the governance, management and administration of public service pension schemes. Pension boards must also comply with certain legal requirements, including assisting scheme managers in relation to securing compliance with scheme regulations and other legislation relating to the governance and administration

of the scheme, any requirements of the regulator and with any other matters specified in scheme regulations. The role, responsibilities and duties of pension boards will vary. (Paragraph 12)

Scheme managers and pension boards (where relevant) may be able to delegate some activities to others, or outsource them, although they will not be able to delegate their accountability for complying with a legal requirement imposed on them. (Paragraph 14)

Outsourced services such as administration can represent a considerable challenge to boards, who would expect to find sufficient knowledge and awareness remaining within the authority's staff to enable the contract to be effectively overseen and managed, and seek on-going assurances that the outsourcer is complying appropriately.

Each public service pension scheme has one or more persons responsible for managing or administering the scheme. Public service pension schemes can have different persons acting as scheme manager for different parts of the pension scheme. (Paragraph 22)

Has (or have) the scheme manager(s) been identified?

KNOWLEDGE AND UNDERSTANDING REQUIRED BY LOCAL PENSION BOARD MEMBERS

A member of the pension board of a public service pension scheme must be conversant with:

- *the rules of the scheme, and*
- *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme. (Paragraph 34)*

Being 'conversant' means having a working knowledge of the scheme regulations and policies, so that pension board members can use them effectively when carrying out their duties. (Paragraph 40)

A member of a pension board must have knowledge and understanding of:

- *the law relating to pensions, and*
- *any other matters which are prescribed in regulations. (Paragraph 35)*

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board. (Paragraph 36)

The legislative requirements about knowledge and understanding only apply to pension board members. However, scheme managers should take account of this guidance as it will support them in understanding the legal framework and enable them to help pension board members to meet their legal obligations. (Paragraph 37)

Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that a framework is developed and implemented. (Paragraph 38)

Does the board know who this person (or these persons) is (or are)?

However, it is the responsibility of individual pension board members to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the pension board. (Paragraph 39)

Schemes should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. (Paragraph 46)

In paragraph 42, the code sets out “examples of administration policies which the regulator considers to be particularly pertinent and would expect to be documented where relevant to a pension scheme, and with which pension board members must therefore be conversant where applicable”. It is worth cross checking against this list to ensure each has been, or is planned to be, considered.

For the LGPS:

Documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement. (Paragraph 43)

Paragraph 44 states that:

Pension board members must also be conversant with any other documented policies relating to the administration of the scheme.

Paragraph 45 describes the board’s role relative to additional voluntary contributions schemes (AVCs).

DEGREE OF KNOWLEDGE AND UNDERSTANDING REQUIRED

Paragraphs 49 to 52 indicate that pension board members must have:

- a working knowledge of their scheme regulations and documented administration policies
- knowledge and understanding of the law relating to pensions (and any other prescribed matters) sufficient for them to exercise the functions of their role and
- be able to identify and where relevant challenge any failure to comply with:
 - the scheme regulations
 - other legislation relating to the governance and administration of the scheme
 - any requirements imposed by the regulator, or
 - any failure to meet the standards and expectations set out in any relevant codes of practice issued by the regulator
- and their breadth of knowledge and understanding should be sufficient to allow them to understand fully and challenge any information or advice they are given.

The above represents a considerable challenge to board members.

ACQUIRING, REVIEWING AND UPDATING KNOWLEDGE AND UNDERSTANDING

Pension board members should invest sufficient time in their learning and development alongside their other responsibilities and duties. (Paragraph 55)

Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post. (Paragraph 56)

Pension board members should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. (Paragraph 57)

Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole. (Paragraph 60)

See paragraphs 55 to 60 for more details.

CONFLICTS OF INTEREST

Actual conflicts of interest are prohibited by the 2013 Act and cannot, therefore, be managed. Only potential conflicts of interest can be managed. (Paragraph 68)

See the full Code of Practice paragraphs 61 to 91 for more details.

PUBLISHING INFORMATION ABOUT SCHEMES

The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up-to-date. (Paragraph 92)

Scheme managers must keep records of pension board meetings including any decisions made. (Paragraph 133)

See paragraphs 92 to 99 and 133 to 134 for more details.

MANAGING RISKS

Internal controls

Internal controls are systems, arrangements and procedures that are put in place to ensure that pension schemes are being run in accordance with the scheme rules and other law. They should include a clear separation of duties, processes for escalation and decision making and documented procedures for assessing and managing risk, reviewing breaches of law and managing contributions to the scheme. (Paragraph 13)

Not all risks will have the same potential impact on scheme operations and members or the same likelihood of materialising. Schemes should consider both these areas when determining the order of priority for managing risks and focus on those areas where the impact and likelihood of a risk materialising is high. (Paragraph 109)

Schemes should consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. (Paragraph 111)

See paragraphs 101 to 112 for more details.

Monitoring controls effectively

Risk assessment is a continual process and should take account of a changing environment and new and emerging risks, including significant changes in or affecting the scheme and employers who participate in the scheme. (Paragraph 113)

Outsourcing services

The legal requirements relating to internal controls apply equally where schemes outsource services connected with the running of the scheme. Providers should be required to demonstrate that they will have adequate internal controls in their tenders for delivering services. The requirements should be incorporated in the terms of engagement and contract between the scheme and service provider. (Paragraph 119)

See paragraphs 119 to 120 for more details.

This should be an area of keen interest for a pensions board. It provides a good opportunity to add value. There are various approaches, such as looking at a specific subject area of the risk register at each board meeting, looking at new risks as they arise, such as resulting from changes in legislation (eg MiFID II), or focusing on the top risks. Ideally the pensions committee should determine an appropriate role for the board as a means of assisting the scheme manager.

Regarding outsourced contracts, the ability to effectively manage and monitor that contract is essential, particularly with regard to internal controls and risk.

ADMINISTRATION

Paragraphs 122 to 146 are mission-critical to board agendas, including establishing and operating internal controls (paragraph 125), the requirements on participating employers to provide scheme managers with timely and accurate data in order for the scheme manager to be able to fulfil their legal requirements (paragraph 128), and the requirement to retain records for as long as they are needed (paragraph 135).

Paragraph 138 expects schemes to continually review their data and carry out a data review exercise at least annually, with paragraph 141 indicating that where schemes identify poor quality or missing data, they should put a data improvement plan in place to address these issues.

Where the management of scheme data has been outsourced, it is vital that schemes understand and are satisfied that the controls are in place that will ensure the integrity of scheme member data. (Paragraph 139)

Schemes should ensure that member records are reconciled with information held by the employer. (Paragraph 142)

See the full code of practice for more details.

Record keeping appears as an ongoing priority of TPR. The topic should feature appropriately on board agendas.

Administration: maintaining contributions

Paragraph 147 sets out the requirements for monitoring receipt of employer contributions, while paragraph 148 does the same for employee contributions.

As part of the requirement to establish and operate adequate internal controls, scheme managers should ensure that there are effective procedures and processes in place to identify payment failures that are – and are not – of material significance to the regulator. (Paragraph 150)

Reporting payment failures of employer contributions as soon as ‘reasonably practicable’ means within a reasonable period from the scheme manager having reasonable cause to believe that the payment failure is likely to be of material significance to the regulator. (Paragraph 182)

In the case of an employer failing to pay employee contributions to the pension scheme, if the scheme manager has reasonable cause to believe that the payment failure is likely to be of material significance to the regulator, the failure must be reported to the regulator and members within a reasonable period. (Paragraph 184)

See paragraphs 147 to 186 for more details, as much more guidance is shown than can be covered here.

This is an easy area for the board to scrutinise, as it should be straightforward to establish and maintain suitable procedures and records. But are those records in place?

Administration: providing information to members

This section summarises the legal requirements relating to benefit statements and certain other information which must be provided. (Paragraph 187)

Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension provision. Information should be clear and simple to understand as well as being accurate and easily accessible. (Paragraph 207)

This should be an area of keen interest for a pensions board. The provision of annual benefit statements to active and deferred members has a specific legal deadline (currently 31 August), and in many circumstances failure to achieve this deadline could be deemed ‘of material significance to the regulator’ and therefore be reportable. Equally, there are other responsibilities, such as time targets for processing payments of benefits and issuing of estimates of pension payments, which should feature among the KPIs that are regularly reviewed by the board. Finally, the board can examine standard letters for ease of understanding.

See paragraphs 187 to 211 for more details.

RESOLVING ISSUES

Internal dispute resolution

Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law and help resolve pensions disputes between the scheme manager and a person with an interest in the scheme. (Paragraph 213)

See the full Code of Practice paragraphs 213 to 240 for more details.

Reporting breaches of the law

While the code sets out in great detail guidance to help determine whether a breach of law is reportable to the regulator, lists of **recorded** breaches should equally be of interest to the board. These are breaches which are not deemed to be of material significance to the regulator (see below).

Lists of recorded breaches give indications as to the overall quality and timeliness of data flows and transactions, and whether processes are in place to capture individual activities which may not perhaps have been completed within appropriate timescales. The key for the board is to understand why such breaches occurred.

Similarly, when using the 'traffic light' system (red, amber, green: RAG) to determine whether or not a breach is of material significance to the regulator, a board may wish to inspect the documented process by which the decision was made that the breach was merely recordable, not reportable. More than one red light out of the four elements examined for a breach would normally be expected to lead to that breach being reported to the regulator. But each breach should be individually analysed.

TPR has a downloadable [Public Service Toolkit](#) for breaches.

Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:

- *a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with*
- *the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions. (Paragraph 241)*

So who is expected to report a breach?

Paragraph 242 lists those people and role holders, including scheme managers, members of pension boards, participating employers and professional advisers, and paragraph 245 indicates that they should establish procedures to enable them to do so.

Paragraph 242, note 128, states that:

The legal requirement to report breaches of the law under Section 70(1)(a) of the pensions Act 2004 is imposed on the 'managers' of a scheme, which the regulator generally takes to be the 'scheme manager' identified in scheme regulations in accordance with the 2013 Act.

The report must be made in writing as soon as reasonably practicable. (See definition in Section 70 (2) of the pensions Act 2004.) (Paragraph 243)

In deciding whether a breach is likely to be of ‘material significance’ to the regulator, it would be advisable for those with a statutory duty to report to consider the:

- *cause of the breach*
- *effect of the breach*
- *reaction to the breach, and*
- *wider implications of the breach. (Paragraph 253)*

When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the regulator. (Paragraph 254)

Finally, paragraph 272 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality.

See paragraphs 241 to 275 for more details.

Work programmes for local pension boards

This chapter considers the issues to be considered when determining the work programme for the board.

The frequency and duration of board meetings will determine the potential size of board agendas. There is a danger that a board could simply represent a re-run of the previous pensions committee.

Due to the range of responsibilities for a board, there could be a considerable depth to a board agenda, particularly for those who only meet twice a year. While an agenda could include a number of standing items, it may be worth considering differentiating between those items which will be subject to a deep dive by the board, such as the breaches log, the risk register and any draft statements to consider, and those which may simply be for noting and awareness, eg some decisions of the pensions committee. This approach can help target time at those items most likely to add value.

Over time, should a board agenda increasingly consist of items it previews on behalf of the committee, it is possible that the traditional pattern of boards meeting a couple of weeks after committee could be replaced with their meeting, say, three weeks before committee, leaving time for their recommendations being considered as part of the committee's decision making process.

The scale of potential work programmes is determined by a number of factors, including the following.

STATUTORY REQUIREMENTS

Writing an annual report of the board, ensuring the individual level of knowledge and understanding of board members achieves and maintains acceptable standards, ensuring that potential conflicts of interest are appropriately managed.

In addition, new legislative requirements such as the GDPR 2016, Guaranteed Minimum Pension (GMP) reconciliation and, potentially, the proposed Pensions Dashboard, should also feature.

REQUESTS FROM THE PENSIONS COMMITTEE

Reviews of risk register, reviews of recorded breaches, reviews of draft statements such as administration, governance and investment strategy.

From a board perspective, it feels far more purposeful and efficient to be making observations on statements, on breaches logs and on risk registers in draft or preview form than commenting on something that has recently been adopted by pension committee and is thus a fait accompli. A proactive role clearly adds value and helps the board's sense of purpose.

THE PRIORITIES OF TPR

TPR regularly reviews its priorities, which now reflect 21st century trusteeship. The most recent priorities are:

- ongoing risk assessment and intelligence gathering
- increased emphasis on looking at locally administered schemes
- the key focus areas of record keeping and data quality.

NEW REQUIREMENTS OF TPR

From 2018, scheme annual returns to the regulator will need to include summaries of the quality of common data and scheme-specific data. Funds must have arrangements in place for an annual review of data quality, and should it prove necessary, an annual data improvement plan which sets out the steps being taken to address any issues. The improvement plan should be appropriately resourced and have realistic timescales. Recognising that data improvement is a continuous process, a board will be seeking assurances that the fund is complying with these requirements.

REVIEW OF CODE OF PRACTICE 14

This is basically an ongoing task, so perhaps is best managed on a rolling review section by section (see Chapter 6).

IDEAS FROM BOARD MEMBERS

Inclusion of items suggested by board members will help give board members a good sense of purpose.

WHETHER SCHEME ADMINISTRATION IS IN HOUSE, OR OUTSOURCED OR A SHARED SERVICE

Boards may naturally find it easier to request reports from in house administrators. However, when administration is outsourced, neither a scheme manager nor a board can divest itself of its responsibilities. Indeed the relevant contract or service level agreement or shared service agreement could be examined by the board to ensure that its clauses will facilitate and appropriately service the role of the board relative to the need to review data quality, internal controls, etc, and also ensure that sufficient expertise remains in house to monitor that the appropriate standards are maintained and that the regulations are still being adhered to.

A reminder that under Section 106 (8) of the LGPS Regulations 2013:

A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

This power can be called upon to ensure that the board is sourced with appropriate reports and presentations from the administrators.

The 2015 CIPFA guidance booklet [Local Pension Boards: A Technical Knowledge and Skills Framework](#) broke work programmes into the following groups:

- pensions legislation
- pensions governance
- pensions administration
- pensions accounting and auditing standards
- pensions services procurement and relationship management
- investment performance and risk management
- financial markets and product knowledge
- actuarial methods, standards and practices.

A suggested work programme is outlined in Appendix III.

CHAPTER 8

Training

This chapter sets out the training requirements for board member and how this can be supported by the administering authority.

Chapter 6 quoted extensively from the Code of Practice 14 regarding the requirements for each individual board member to have the appropriate level of knowledge and understanding. Paragraph 46 of the code indicates that a complete list of scheme documents with which board members must be conversant, showing the dates of the latest and the next review, should be produced.

Paragraph 57 indicates that each board member should complete an individual training needs analysis. This could lead to the board secretary identifying which areas of knowledge are most in need of being improved. All training undertaken should be logged.

It is also good practice – and for many boards a requirement – that board members complete TPR's [Trustee Toolkit](#) for the public sector, which covers:



There are supplementary modules available to reflect the fact that the LGPS is the only large funded public sector scheme, including:



In 2015 CIPFA produced a guidance booklet [Local Pension Boards: A Technical Knowledge and Skills Framework](#). Many funds have modelled their training needs analyses around this guidance.

Often joint training is arranged with the pensions committee, although the requirements for MiFID II compliance may cause a divergence.

There is a wealth of information available online, particularly with regard to aspects of investment. Training can be informal. Reading the pensions professional journals is another way of helping board members increase their understanding.

In the 2017 SAB survey, 95% of boards had a knowledge and understanding programme. A training plan should also be available for new or potential board members.

Failure of local pension board members to be adequately trained could potentially lead to engagement and enforcement from the regulator, potentially ending up in an extreme case with the replacement of the board and/or a fine.

CHAPTER 9

Investment pools

It is indisputable that the vast majority of a local pension board's work should focus on administration and governance. This does not mean that a board cannot look at investments, particularly the governance and at the processes followed. Indeed there are examples where the expertise on boards has resulted in improvements in the quality of reporting on investment monitoring.

Produced to reflect the requirement to set up an appropriate governance structure for LGPS pension pools, CIPFA's *Investment Pooling Governance Principles* refers to the need for effective communication with local pension boards as the following:

Keeping the pension committees (which often have scheme member and employer representatives) and local pension boards properly informed (and consulted with) on the development and ongoing operation of the investment pool.

There is scant, if any, evidence that the emerging pools followed this guidance and consulted with boards. However, some individual boards took the initiative and made recommendations for boards to be consulted or involved in one form or another.

The SAB issued guidance on 6 March 2017, with extracts as follows:

The board recognises that it is for scheme managers within each pool to develop appropriate governance to assure all stakeholders of the transparent and effective implementation of strategy.

The board recognises that strategic decisions on asset allocations and responsible investment will remain at the local level and therefore the involvement via local pension boards of those employers beyond the scheme manager along with member representatives in those areas would continue.

However the board also encourages scheme managers to involve those same employers and member representatives in assisting with the assurance of transparent reporting from pools and ensuring the effective implementation of strategies by pools. Such involvement should include the consideration of provision of direct representation on oversight structures.

Despite both sets of guidance, engagement by pools with their individual boards (or their representatives) remains an outstanding piece of work. As such, board chairs within various pools have made informal contacts – for general information sharing, but also to seek ways of getting their boards into a position, as implied in the guidance, to “assist in the assurance of transparent reporting from pools, and ensuring the effective implementation of strategies by pools”.

So, in practical terms, what can a board review? Or perhaps board representatives from the different funds in a pool? This is likely to vary from pool to pool, but typically:

- the process for the selection, appointment and dismissal of the pool operator
- the arrangements for monitoring the process of the operator
- managing risks associated with the pools
- reviewing the monitoring processes established to track the costs of the pools
- overseeing the responsible investment and corporate governance dimension.

And in terms of the operator, checking that the operator has provided:

- audited asset valuations
- absolute investment performance
- relative investment performance
- attribution analysis
- their approach to responsible investing.

The above suggestions help identify a question as to the extent to which any individual board tries to undertake its own assessment of the managing of risks implicit in being a fund participating within a pool. While it is for each board to satisfy itself regarding the assurances it seeks, the related risks are also common to all funds within the same pool. There are dangers of re-inventing wheels. It would appear that there is scope for boards within the same pool liaising to establish a cost-effective way of gaining the appropriate assurances.

Responsible investing: environmental, social and governance aspects

As indicated in Chapter 1, the MHCLG guidance relating to Regulation 7 (2) (e) of the LGPS (Management and Investment of Funds) Regulations 2016 indicates that administering authorities, in forming their investment strategy statement (ISS), should:

Explain the extent to which the views of their local pension board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors.

Prior to considering this issue, boards need to have established the appropriate level of knowledge and understanding. In all probability, the administering authority will have specific training in place. This training can be supplemented by booklets prepared by many asset managers and groups of institutional investors. In addition, there is a wealth of helpful material available on the internet, some examples of which are shown below. Please note that in some cases, access is for institutional investors only, so the appropriate protocol should be followed.

- The Pensions and Lifetime Savings Association's [Environmental, Social and Corporate Governance \(ESG\) Made Simple](#).
- The Local Authority Pension Fund Forum's [research papers](#).
- Legal & General Investment Management's [videos and webinars](#).
- BlackRock's [corporate responsibility philosophy](#).
- An ESG [institutional investor masterclass](#).

FUTURE GUIDANCE?

It is possible that there will be new responsible investment guidance coming out later in 2018 from the MHCLG and the SAB.

Role of the pension board member

The role of the pension board member is to:

- provide support and assistance to the administering authority
- act as a critical friend, challenging constructively on issues where the board may have a concern
- keep personal knowledge and skills up to date
- identify gaps in their understanding and request training to fill those gaps
- show a particular interest in the administration and governance of the pension scheme, especially KPIs
- regularly monitor the quality of the pension members' experience
- ask whether shortcomings or failures in the scheme's administration constitutes a breach of legislation, and should be reported to TPR
- ask about the strength of employers' covenants
- check whether the main decision making body or officer has taken proper advice and has undertaken adequate due diligence in considering the fund's asset allocation and wider investment matters
- ask whether the investment performance of the fund is being adequately monitored (this applies to assets managed directly, through a direct relationship with an asset manager or via a pooling arrangement)
- monitor the work of the SAB and its sub-committees, and also TPR.

Role of the pension board chair

The role of the pension board chair is to:

- provide support and assistance to the administering authority
- take a lead role in developing the forward plan of the board, working closely with the administering authority's officers
- develop a good and close relationship with the administering authority's officers
- take a lead role in developing a training plan for the board
- prepare an annual report of the board's work in conjunction with the administering authority's officers
- chair the meeting in a proactive way, encouraging board members to question in a constructive and disciplined way while allowing a free and open discussion
- ensure the officers are given the opportunity to respond to the members' views and questions
- seek opportunities to attend the main decision making committee or panel
- work with the officers in regularly reviewing the board's terms of reference and membership
- attain a good understanding of the pressures facing the administering authority, and advocate their case for adequate resources to provide an efficient service, thereby preventing or reducing administrative breaches of the law.

Local pension board – suggested annual work programme

Please note these are not intended as definitive lists, and individual boards will wish to customise to fit local circumstances.

OPERATIONAL

- Administration update (including KPI monitoring).
- Pension fund statement of accounts.
- Pension fund annual report.
- Pension fund audit report.
- Local pension board annual report.
- Terms of reference and membership of the board.
- Monitoring of investment performance and funding ratios.
- Triennial and interim actuarial valuations and GAD reports.
- Appointment of advisors.
- Progress report on the arrangements for pooling.
- Risk register.
- Board's training plan.
- Review of the fund's business plan and forward plan.
- Board's work plan.
- Update on the work of the SAB.
- Changes to the scheme's regulations.

STRATEGIC

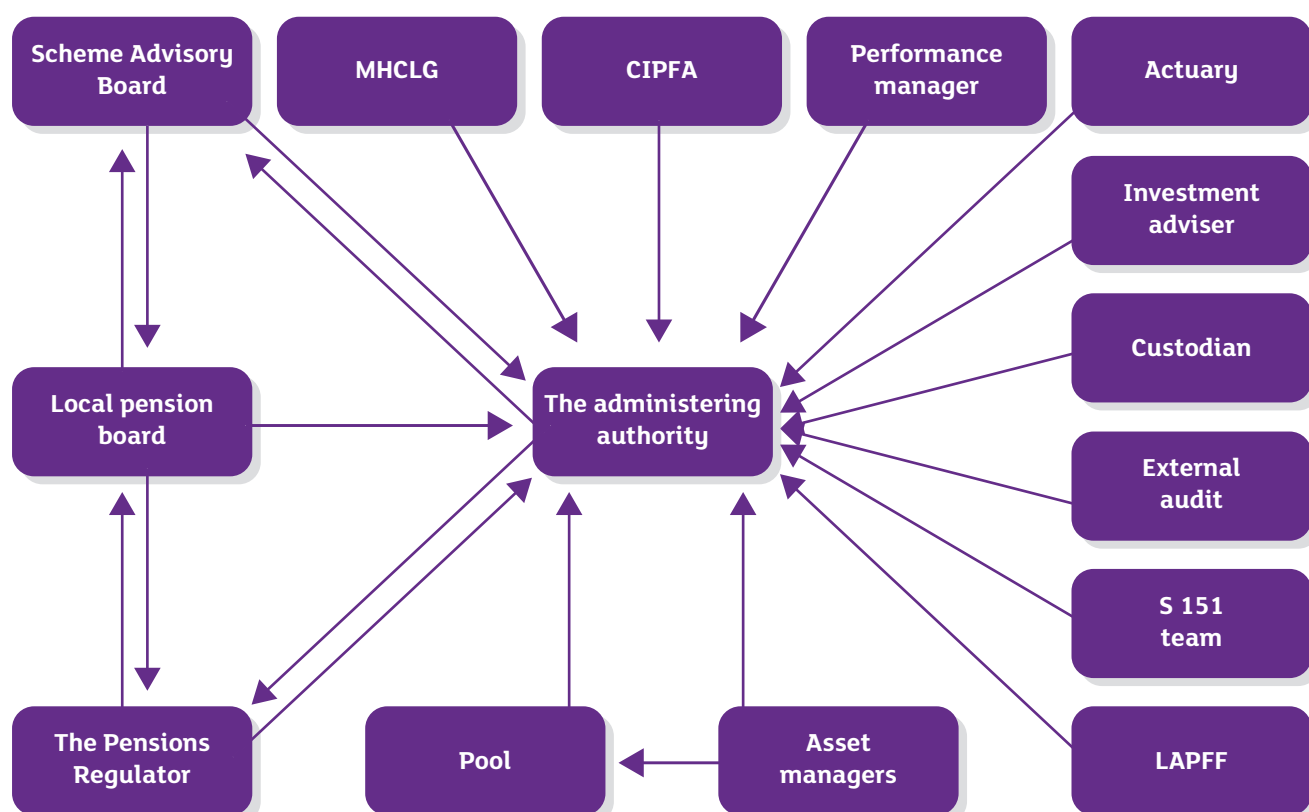
- Investment strategy: oversight.
- Administration strategy.
- Risk management strategy.
- ESG strategy: oversight.
- Breaches of law policy.

- Review of the fund's governance.
- Administering authority's discretions policy.
- Member communication's strategy.
- Conflicts of interest policy.
- Annual review of the board's terms of reference.

The governance map under current pooling arrangements

Figure IV illustrates how governance maps out under the current pooling arrangements.

Figure IV: The governance map under current pooling arrangements



Twenty-one quick questions and a final thought

1. Have the board's terms of reference recently been reviewed in the light of experience?
2. Are the terms of service of board members staggered to avoid the cliff-face scenario to which a pensions committee is unavoidably exposed?
3. Is the process for appointing new board members practical and speedy, or too time-consuming? Are opportunities taken to identify potential future board members?
4. Is there a documented plan to bring new board members up to speed within an acceptable timescale? Is the training plan comprehensive and regularly reviewed?
5. Is there appropriate and regular contact between the chairs of the board and the committee?
6. Does the committee commission any work from the board, such as risk reviews, breaches log etc? If not, could this be considered?
7. Are the feedback mechanisms from board to committee in place, appropriate and effective?
8. Do investment issues have too high a profile on the agenda of the board?
9. Is there a timely process for identifying new risks?
10. Is TPR's Code of Practice 14 kept under regular review?
11. Has the pension fund failed to return any surveys issued by either TPR or the SAB? If so, are steps in place to ensure future surveys are completed? If not, non-completion itself could be flagging up issues to both bodies.
12. Does your fund have an outsourced or shared services arrangement for scheme administration? If so, have you seen and followed TPR's *Managing Service Providers* guidance?
13. If scheme administration is in-house, is there a reluctance to record, or perhaps more importantly, report any breaches caused either by the pensions team or by other departments of the administering authority, eg HR department?
14. Is there a similar reluctance to record and where appropriate report any breaches caused by other councils in the fund?
15. If you have reported any breaches, have you included plans and timescales for rectifying the situation and preventing its recurrence? Should future breaches require reporting, it's advisable simultaneously to include rectification plans.
16. Do you have a data improvement plan? Or currently planning to implement one? Are the desired outcomes, with appropriate resources, clearly identified (see TPR guidance)?

17. When cleansing data, is priority given to the records of those approaching retirement?
18. Is the information on your website regarding the board easily accessible, complete and up to date?
19. Has the board had oversight of the responsible investment policy of the fund? If not, is it in the work programme?
20. Does the fund have an administration strategy? If not, would it be helpful to introduce one?
21. Has the administering authority fully considered and concluded the issue of insurance cover for board members?

AND FINALLY

The board has an important role in supporting the pensions administration function. It can often be the case that the main decision making committee or panel focuses on investment matters and has less time for the administration function. The quality of the pension members' experience is of critical importance and boards can raise the profile of the pension administration function by regularly devoting time to it on their agendas.



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