



**Greater Manchester
Pension Fund**

Administered by



BY EMAIL
STRICTLY PRIVATE & CONFIDENTIAL
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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.