

GREATER MANCHESTER PENSION FUND - LOCAL PENSIONS BOARD

Day: Thursday
Date: 29 July 2021
Time: 3.00 pm
Place: Zoom

Item No.	AGENDA	Page No						
1.	APOLOGIES FOR ABSENCE To receive any apologies for absence.							
2.	DECLARATIONS OF INTEREST To receive any declarations of interest.							
3.	MINUTES To receive the minutes of the Local Pensions Board meeting on the 8 April 2021.	1 - 8						
4.	GMPF STATEMENT OF ACCOUNTS 2020/2021 GOVERNANCE ARRANGEMENTS To consider a report of the Director of Pensions / Assistant Director of Pensions for Local Investments and Property.	9 - 42						
5.	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>6,7,8,9,10,11, 12,13,14,15, 16</td> <td>3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10</td> <td>Disclosure would, or would be likely to pre the commercial interests of the Fund and agents which could in turn affect the intere the beneficiaries and/or tax payers.</td> </tr> </tbody> </table>	Item	Paragraphs	Justification	6,7,8,9,10,11, 12,13,14,15, 16	3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10	Disclosure would, or would be likely to pre the commercial interests of the Fund and agents which could in turn affect the intere the beneficiaries and/or tax payers.	
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From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Louis Garrick, Senior Democratic Services Officer, to whom any apologies for absence should be notified.

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

GREATER MANCHESTER PENSION FUND LOCAL PENSIONS BOARD

8 April 2021

Commenced: 15:00

Terminated: 16:55

Present:	Councillor Fairfoull	Employer Representatives
	Paul Taylor	Employer Representatives
	Michael Cullen	Employer Representatives
	Jayne Hammond	Employer Representatives
	Mark Rayner	Employee Representatives
	Catherine Lloyd	Employee Representatives
	David Schofield	Employee Representatives
	Chris Goodwin	Employee Representatives
	Pat Catterall	Employee Representatives
	Fund Observer: Councillor Ryan	

Apologies for Absence **David Schofield**

43 DECLARATIONS OF INTEREST

There were no declarations of interest.

44. MINUTES

The minutes of the meeting of the Local Pensions Board meeting on the 14 January 2021 were approved as a correct record.

45. ADMINISTRATION UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Pensions Administration. The report provided the Local Board with an update on the 2020/21 business planning objectives set by the Administration section, strategic or service improvement projects and comments on administration performance.

Members were advised that performance levels had remained relatively consistent across all areas. However, the effects of the pandemic were still having a notable impact on workloads and these were also volatile. Impacts could be seen across almost all areas of work, this included bereavements, retirements and leavers. This together with the impact of changes such as the 95k cap and projects such as McCloud, were likely to generate significant challenges for the section over at least the next six months.

It was reported that several projects had been progressed over the last quarter. The majority of the new data retention policy had been drafted and was being used as a working document to assist with the preparations for the first team's files to migrate to OneDrive and SharePoint. Work continued on the cyber security project with actions to strengthen compliance being drawn up and undertaken. Migration would start for 4 teams later in April and May, following this a plan would be produced for the remaining teams.

It was stated that the procurement process for the Enghouse contact centre solution had continued over the quarter. Officers were working with the software provider to develop an implementation plan which would initially focus on telephone calls, with further stages incorporating emails and

webchat. This project would be completed alongside a wider telephony project that would see all telephony integrated with Microsoft Teams.

Work had commenced on a review of the pensions overpayments process. Officers were reviewing areas such as overpayment thresholds, recovery processes and authorisation and review of write offs with a view to revising policies and procedures, which will be presented to the Working Group for approval at a future meeting.

A number of new developments on the website around improving engagement and understanding had been undertaken this quarter. This included a new page on the employers section on the website which contained promotional materials for employers to use in newsletters and employee bulletins to encourage members to sign up for My Pension.

It was also reported that preparations were underway to launch an online training programme for employers in April 2021 to increase the availability of support available for employers on an ongoing basis.

RESOLVED

That the report be noted.

46 SUMMARY OF GMPF DECISION MAKING

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Funding and Business Development. The report summarised the recommendations made by the GMPF Working Groups the decisions made by the Management Panel at the same meeting.

The report detailed the recommendations made by the Administration, Employer Funding and Viability Working Group and Investment Monitoring and ESG Working Group on the 22 January 2021 and the recommendations of the Policy and Development Working Group on the 4 March. The report also detailed the reports received by the Management/Advisory Panel on the 19 March 2021.

The Assistant Director for Funding and Business Development highlighted that on the 19 March 2021 the Management / Advisory Panel received a report about property investment, deployment and performance monitoring. Panel observed that several years following the appointment of La Salle there were remaining issues on overall deployment of capital into property and that performance was behind expectations. The Management/Advisory Panel recommended that:

- (a) The Director of Pensions be authorised to make arrangements for the procurement of two replacement property managers
- (b) Future deployment of capital into UK property be made via pooled vehicles selected by the internal team under delegation to the Director, overseen by the Investment Committee in line with the property strategy of using pooled funds, with the majority of investment through Balanced Funds

RESOLVED

That the report be noted.

47 EMPLOYER FLEXIBILITIES

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. The report provided an update on the progress of GMPF's approach to implementing employer flexibilities.

The Assistant Director for Funding and Business Development stated that the employer flexibility powers that were introduced to the LGPS via amending regulations in September 2020 allowed the

Fund to conduct an Interim Valuation for an employer, spreading of Exit Payments and the ability to enter Deferred Debt Arrangements.

It was explained that Deferred Debt Arrangements would give administering authorities the power to allow an employer with no active employees to delay its exit from the Scheme and to pay regular deficit contributions until it reached a fully funded position. Previously when an employer's last active member left employment, the employer became an exiting employer under the LGPS Regulations. This led to an exit debt being incurred by the employer or, in certain circumstances, an exit credit would be paid to the employer depending on the funding level of the employer's liabilities at the exit date and the terms of the employer's admission agreement.

Members of the Board were advised that the draft GMPF Employer Flexibilities Policy had been drafted setting out how the Administering Authority would approach interim valuations and consider requests for deferred debt agreements and the spreading of exit payments. The policy made clear that the Administering Authority's default position would continue to use established approaches unless it could be demonstrated that allowing use of the flexibilities in respect of an employer was to the benefit of the Fund as a whole. It was explained that a balance had been sought between providing employers with enough detail to reduce the number of unsuccessful applications and retaining enough flexibility to assess each case according to its particular circumstances.

It was stated that following the Management Panel meeting on 19 March, GMPF officers met with the actuary to further refine the draft policy. The current draft was attached at Appendix 1.

Consultation with employers was expected to begin in mid-April with a final version of the policy to be brought to the 16 July 2021 Management Panel meeting for approval. It was envisaged that the consultation exercise would be undertaken over a period of around 2 months, commencing in mid-April, with a final version presented at 16 July Management Panel for approval.

RESOLVED

That the report be noted.

48. THE PENSIONS REGULATOR (TPR)

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development / Assistant Director for Administration. The report provided the Local Board with a summary of the current breaches log and decisions made by the Scheme Manager, an update on GMPF's recent involvement with TPR and Relevant announcements from TPR.

The Assistant Director for Funding and Business Development advised the Board that a copy of the current breaches log was attached as Appendix 1. The criteria that officers used to assist them in assessing whether a breach might be deemed 'material' was also attached at Appendix 2.

It was stated that Appendix 3 contained details of expected contribution payments, which had not been received by GMPF by the 19th of the month following the month to which they related for the period from November 2020 to January 2021 inclusive. Appendix 4 provided further analysis on the contribution payments received in respect of the period from November 2020 to January 2021, specifically detailing the number of employers making payments in accordance with GMPF's deadline of the first day of the following month.

It was stated that TPR had been required to limit some evaluation activities during 2020/21 in order to focus on its response to the Coronavirus pandemic and its potential implications for occupational pensions.

It was reported that the TPR had issued its consultation on the long-awaited Single Code of Practice on 17 March 2021. The Single Code of Practice would supersede Code of Practice 14, as well as the other Codes of Practice, to become TPR's main regulatory e-document on governance and administration. The consultation would close on 26 May 2021.

It was explained that the new Single Code of Practice would be introduced in phases. The draft currently available comprised 51 consolidated web-based modules which would replace 10 of the existing codes and incorporate some new elements.

RESOLVED

That the report be noted.

49. POOLING UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. The report provided an update on the activities of the Northern LGPS Pool and relevant national pooling development.

Members were reminded that on 3 January 2019 MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation. On 25 November 2020 Government set out a commitment to consult on strengthening the framework for pooling in the Balance Sheet Review. It was stated that MHCLG had indicated that a new consultation on pooling guidance and potentially changes to the LGPS Investment Regulations was expected sometime later in the year.

The Assistant Director for Funding and Business Development summarised the progress of the main ongoing work streams for the North LGPS. The report detailed the progress of the 8 pools across the LGPS.

RESOLVED

That the report be noted.

50. BUSINESS PLANNING, BUDGET AND RISK MANAGEMENT

Consideration was given to a report of the Director of Pensions. This report provided an update for the Board on the current business planning and budget setting process which was reported at the March Management Panel meeting. It also highlighted the current key risks being monitored.

It was reported that each year, GMPF prepared an annual business plan to provide strategic direction and to assist with the planning and monitoring of performance. At the September 2020 Pension Fund Management Panel meeting, the Director of Pensions undertook a review GMPF's strategic objectives to ensure they remained relevant and to revise the business planning process to ensure both the process and format allow for effective monitoring and scrutiny. Officers were in the process of drafting revised strategic objectives for consideration and were drawing up a new detailed business plan for 2021/22 in a new format. This exercise was largely complete and details were expected to be brought to the next Working Group, Management Panel and Local Board meetings for consideration.

In regards to the budget, the expenditure budget was set with a view to ensuring the cost of delivering the business plan were met. It was stated that GMPF's financial position was determined by two main elements, the first being the receipt of contributions and payment of pension benefits and the second being the performance and costs of its investment portfolio. The third element was the cost of governance, oversight and administration, which had far less material impact. It was important that this was managed and monitored effectively to ensure value for money was being achieved and to provide assurance that the service was being managed in line with expectations.

It was stated the expected expenditure budget was outlined in Appendix A and the Management Panel approved this at its 19 March meeting. CIPFA guidance for annual reports of LGPS Funds required these reports to include medium term financial planning. The estimate for this for the period 2021-2024 was included as Appendix B and the Management Panel also approved this at its meeting.

It was explained evaluating risk and monitoring the effectiveness of controls was a vital part of good governance and ran alongside business planning and budget monitoring activities. The overarching risk register was reviewed and updated at least once each quarter and the latest version was included within this report for review at Appendix C.

RESOLVED

That the report be noted.

51. SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. The report provided information about GMPF members' AVC investments.

The Assistant Director for Funding and Business Development advised the Board that Prudential's performance in administering LGPS in-house AVCs had become of increasing concern over recent months. A deterioration in performance had been observed by GMPF and a number of other LGPS funds and experiences had been shared at regional and national meetings of the LGPS Technical Group.

It was highlighted that there had been significant delays when disinvesting members' AVC pots, which resulted in delays to GMPF and other administering authorities processing and paying retirement benefits for these members. Further, there were delays in tracking contribution payments from employers and investing members' contributions into their chosen AVC funds and significant delays in processing member requests such as changes to contribution levels and fund switches.

It was explained that there appeared to be a number of factors contributing to Prudential's recent poor performance.

Prudential had provided assurances to GMPF, which were detailed in the report. GMPF officers had expressed concerns to Prudential regarding a lack of information being provided to members on the problems being experienced which had made it difficult for GMPF to adequately manage members' expectations.

Members of the Board were advised that all parties involved with the governance and administration of public service pension schemes must report breaches of the law to TPR where they believed failure to comply was likely to be of 'material significance' to TPR.

Members of the Board expressed their concern that whilst Prudential had recognised issues and delays that had occurred and were compensating members, the problems had not yet been resolved. Further, the failure demand created could continue for a significant amount of time and the Local Pensions Board should continue to monitor the impact of this.

RESOLVED

That the Local Pensions Board continue to monitor the performance and work undertaken by Prudential.

52. PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT SERVICES JANUARY 2021 TO MARCH 2021

Consideration was given to a report of the Head of Risk Management and Audit Services, which summarised the work of the Risk Management and Audit Service for the period 1 January 2021 to March 2021.

The Head of Risk Management and Audit Services reported that the actual days spent against the planned days for 2020/21 were 291 days against the 320 planned days up to 19 March 2021. As

reported in the January update report, as a result of not having had full resources during the period, it was projected there would be a shortfall in days provided in 2020/21 of approximately 30 days.

A final report was issued for the transfers out to Defined Contribution (DC) Schemes. The overall objective of the audit was to ensure that adequate systems and controls were in place to ensure that the risks were controlled and minimised.

The audit highlighted there were good practices and controls maintained by the Contributing Members Team to ensure that transfer requests were dealt with timely and correctly. The Contributing Members Team undertook a number of checks to protect the member from transferring their benefits to an illegitimate pension provider. Due to the ongoing Covid-19 pandemic, there had been an increase in fraudulent providers targeting individuals to transfer their pension; in response to this, the team had reviewed their processes, including further checks and further information provided to the member to ensure that they did not fall victim to a potential scam. Sample testing looked at the processes from the initial request to the payment of the transfer value, to ensure at each stage appropriate checks were in place. It was evident that processes were regularly reviewed and transfers to defined contribution schemes were being dealt with appropriately. It was reported that a HIGH Level of Assurance was given.

A final report was issued for the Pension Benefits Payable, the Pensions Payroll Section undertook the processing and payment of all pensioners/dependents pensions within the Greater Manchester Pension Fund. In order to ensure that the information held within the system was accurate and up to date, the Pensions Payroll Section were dependent on other teams within the Fund processing member retirement information promptly and accurately and also Employers informing the Fund promptly of any forthcoming retirements. A number of process changes were made within the Pensions Payroll Section to cater for the changes in working styles due to the current pandemic. The audit included a review of the changes to processes to ensure that adequate controls were still in place within the new processes. The Audit highlighted there were good practices and controls maintained by the Pension Payroll Team to ensure that pension payments were made timely and correctly. A number of issues were identified and recommendations made, which had been responded to positively. A medium Level of Assurance was given.

In regards to the final report issued for the visit to one of the Local Authority employers. The situation at this local authority in respect of Pensions Administration was improving. There had been issues with the payroll provider in the past with changes in key staff members and a change to the payroll system, which had contributed to the ongoing issues. At the time of the audit the staffing had stabilised and it was evident that staff at the provider were committed to ensuring that processes were operating correctly and had made significant improvements to processes since the last audit. The introduction of iConnect would improve data quality and efficiencies going forward and the payroll provider and the employer needed to continue to work with the Pension Fund to achieve this. A number of recommendations were made and positive responses were received. A medium Level of Assurance was given.

There had been no new fraud cases reported in the period. Data matches from the National Fraud Initiative (NFI) had been received back from the Cabinet Office and had been distributed to the relevant teams within the Pension Fund for further investigation. The next report to the Local Board would provide an update of the numbers identified, and the numbers investigated once it had been established how many of the reported matches were already identified by the Fund due to the timing issue.

RESOLVED

That the report be noted.

53. RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2021/22

Consideration was given to a report of the Head of Risk Management and Audit Services. The report presented the planned work for the Risk Management and Audit Service for 2021/22.

It was reported that 300 days would be provided to the Greater Manchester Pension Fund in 2021/22. The full Annual Audit Plan for 2021/22 was included at Appendix 1. The overall Annual Audit Plan for Tameside Council, which included the days for the Greater Manchester Pension Fund, was approved by the Audit Panel on 16 March 2021.

Members were advised that the Service Unit did not employ a specialist Computer Auditor for the provision of technical computer audit support and this was procured from Salford MBC Computer Audit Services using the AGMA Collaboration Computer Audit Agreement to help deliver the ICT Computer Audit Plan.

Members were reminded that the work of Internal Audit was fundamental to the production of this statement as the work conducted provided evidence and ongoing assurance that the systems of internal control had been reviewed and that risks were being effectively managed.

It was stated that the Internal Audit Strategy and the Internal Audit Charter were approved by the Audit Panel on 16 March 2021 and were attached at Appendix 2 and Appendix 3 for the information of the members of the Local Board.

In regards to proactive fraud work and irregularity investigations, whilst unplanned in their nature, time was required each year for the investigation of frauds and irregularities that were notified to Internal Audit. There was a dedicated resource within the service unit, which provided support to management to ensure that such problems were dealt with as effectively as possible.

It was stated that performance of the service was monitored against targets and performance indicators. Individually auditors were monitored against performance targets and appraisal sheets were completed for audits highlighting issues and potential training needs.

The Audit Plan would be continually monitored via monthly progress meetings between the Audit Management Team and regular update meetings with Executive Members, Senior Managers and External Audit and quarterly reports to the Local Board.

RESOLVED

That the Members of the Local Pensions Board note the following:

- (i) The Internal Audit Plan for 2021/22 as shown at Appendix 1 and note the planned work for the Risk Management and Insurance Team.**
- (ii) The Audit Strategy for 2021/22 shown at Appendix 2.**
- (iii) The Audit Charter for 2021/22 shown at Appendix 3.**
- (iv) The Quality Assurance and Improvement Programme for 2021/22 shown at Appendix 4.**

54. URGENT ITEMS

There were no urgent items.

CHAIR

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Agenda Item 4

Report To:	LOCAL PENSIONS BOARD
Date:	29 July 2021
Reporting Officers:	Sandra Stewart, Executive Director of Pensions Paddy Dowdall, Assistant Executive Director of Pensions (Local Investments and Property)
Subject:	GMPF STATEMENT OF ACCOUNTS 2020/2021 GOVERNANCE ARRANGEMENTS
Report Summary:	This report aims to inform Members of the governance arrangements for approval and subsequent audit of the accounts for Greater Manchester Pension Fund (GMPF) as part of the accounts of Tameside MBC as administering authority. Secondly, the report asks Members to note the key assumptions for estimates used in the GMPF accounts
Recommendations:	<ul style="list-style-type: none">(i) To note the governance arrangements for approval of GMPF accounts.(ii) To note the assumptions for estimates used in the GMPF accounts.(iii) To note the Audit Strategy Memorandum from Mazars, the Fund's external auditors.
Financial Implications: (Authorised by the Section 151 Officer)	<p>As the administering authority, Tameside MBC has important responsibilities in relation to the Greater Manchester Pension Fund. However, 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 (v mid or offer basis).</p>
Legal Implications: (Authorised by the Solicitor to the Fund)	Under the LGPS Regulations, the administering authority must produce an annual report and accounts.
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:

Any enquiries should be directed to Tracey Boyle, 0161-301-7116 (email: tracey.boyle@tameside.gov.uk)

1. INTRODUCTION

1.1 This report covers two sections:

- Governance Arrangements for the approval of the accounts; and for subsequent audit.
- Noting of the on-going key assumptions made in compiling the accounts

2. GOVERNANCE ARRANGEMENTS AND AUDIT

2.1 The 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 body for the Council and GMPF is the Audit Panel which receives accounting policies reports and the report of the external auditor following the audit of the accounts. The Council retains overall responsibility for the accounts of both, and the follow-up on the audit reports received for both, but in practice delegates the responsibility for GMPF to GMPF Management Panel.

2.3 The provisional timetable for approval of the accounts and audit reports by these bodies for 2020/2021 is outlined in the table below.

Date	Group
17 September 2021	GMPF Management Panel
28 September 2021	Tameside Audit Panel

2.4 The pre-audit accounts of GMPF were prepared and ready for audit in early June.

2.5 The review by the external auditors commences thereafter. Mazars 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. The Audit Strategy Memorandum is attached as an appendix to this report.

2.6 At the time of writing the audit was on schedule for completion in early August with no significant findings highlighted.

3. CONTINUED KEY ASSUMPTIONS

3.1 The key continuing assumptions used in production of the accounts will be disclosed in note 2 of the GMPF accounts when produced:

- Accruals basis
- Fair value for investments
- Market prices at bid where possible
- For non-listed assets, compliance with accounting standards and best practice
- Liabilities in compliance with International Accounting Standard 19 (IAS19)
- Continued phased implementation of CIPFA's guidance on accounting for management costs in the LGPS

4. RECOMMENDATIONS

4.1 As set out on the front of the report.

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Audit Strategy Memorandum

Greater Manchester Pension Fund

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This document is to be regarded as confidential to Greater Manchester Pension Fund. It has been prepared for the sole use of the Audit Panel as those charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Members of the Audit Panel
Greater Manchester Pension Fund,
Guardsman Tony Downes House,
5 Manchester Road,
Droylsden,
M43 6SF

24 May 2021

Dear Sirs / Madams,

Audit Strategy Memorandum – Year ended 31 March 2021

We are pleased to present our Audit Strategy Memorandum for Greater Manchester Pension Fund for the year ended 31 March 2021. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 6 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Greater Manchester Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07721 234043.

Yours faithfully

Karen Murray

Mazars LLP

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

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Section 01:

Engagement and responsibilities summary

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1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Greater Manchester Pension Fund (the Fund) for the year to 31 March 2021. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.



Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit Panel, as those charged with governance, of their responsibilities.



Consistency report

We are required to form and express an opinion on the consistency of the financial statements within the Fund's annual report and the Fund's financial statements included in the Statement of Accounts of Tameside Metropolitan Borough Council.



Going concern

The Fund is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. The Director of Finance is responsible for the assessment of whether it is appropriate for the Fund to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on the appropriateness of the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements and the adequacy of disclosures made.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management, Internal Audit, and other key individuals where relevant as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.



Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of Tameside Metropolitan Borough Council and consider any objection made to the accounts. This would include an objection made to the accounts of the Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendix


02

Section 02:

Your audit engagement team


2. Your audit engagement team

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In addition, an engagement quality control reviewer has been appointed for this engagement.



03

Section 03:

Audit scope, approach and timeline

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3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in Section 7.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



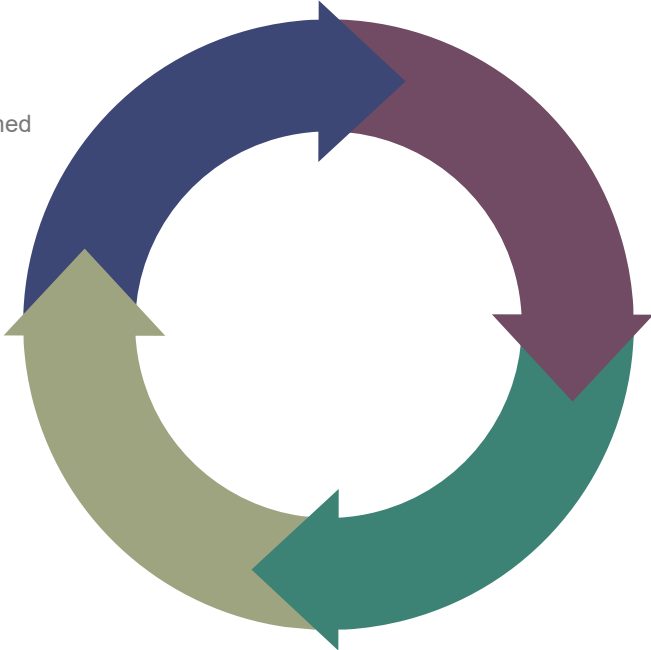
3. Audit scope, approach and timeline

Planning - March / April 2021

- Planning visit and developing our understanding of the Fund
- Initial opinion assessment
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Interim - March / April 2021

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary



Completion – August 2021

- Final review and disclosure checklist of financial statements
- Final partner and EQCR review
- Agreeing content of letter of representation
- Reporting to the Audit Panel
- Reviewing subsequent events
- Signing the auditor’s reports

Fieldwork – June / July 2021

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

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3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management’s and our experts

Management makes use of experts in specific areas when preparing the Fund’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Disclosures on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson	NAO Consulting Actuary: PwC
Valuation of unquoted investments not traded on active markets	Investment managers and Custodian	At this stage we do not plan on engaging an auditor’s expert, but will carry out the work within the audit team. If investments are unusual or complex then we may engage such an expert.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
Quoted investment valuations	Investment Fund managers and Custodian	Substantive procedures
Unquoted investment valuations and related disclosures	Investment managers and relevant organisations that provide valuations of unquoted investments	Substantive procedures
Stock lending including information used for the stock lending disclosure note	Custodian	Substantive procedures



04

Section 04:

Significant risks and other key judgement areas

Page 24

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement (‘RMM’) at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

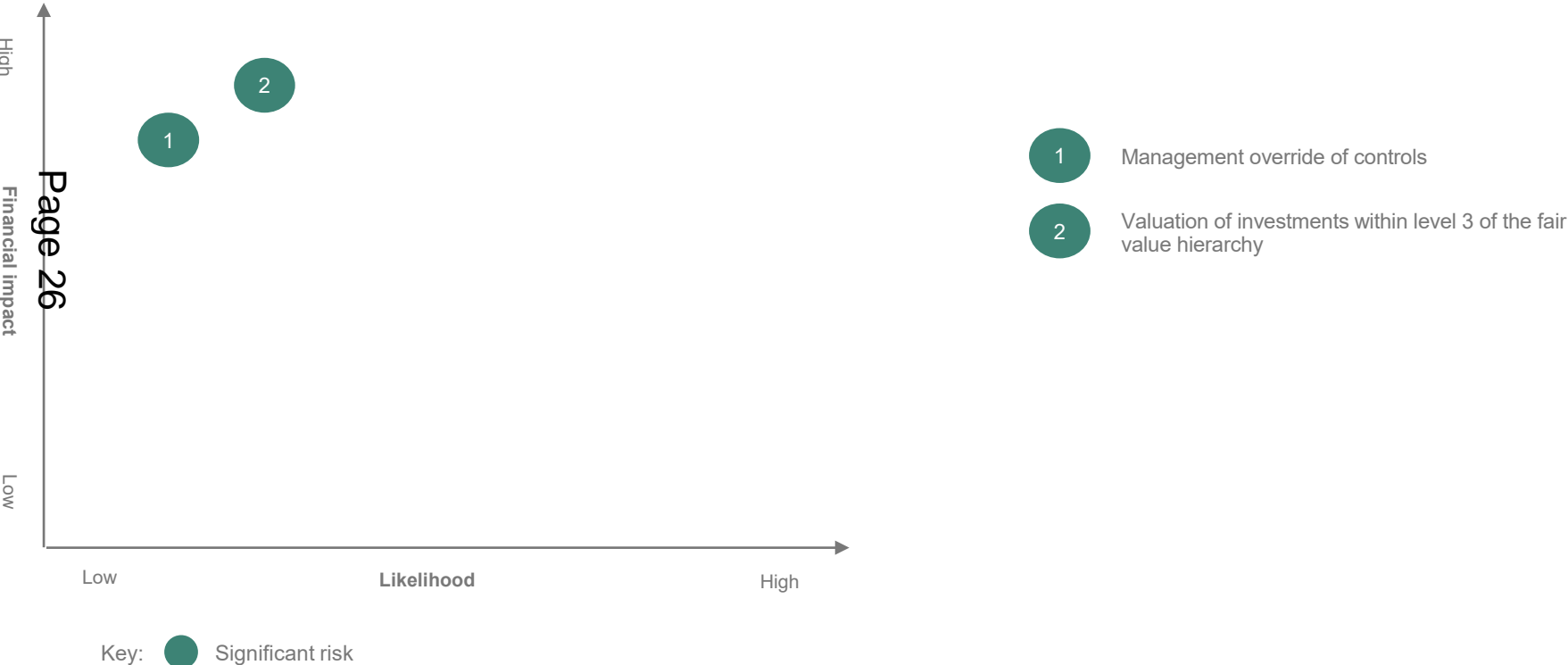
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4. Significant risks and other key judgement areas

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Fund. We have summarised our audit response to these risks on the next page.



4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Panel.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
Page 27	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	<p>We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>



4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
Page 28	<p>2 Valuation of investments within level 3 of the fair value hierarchy</p> <p>As at 31 March 2020, the fair value of investments within level 3 of the fair value hierarchy was £5.6bn, which accounted for approximately 25 per cent of net investment assets. We anticipate a similar proportion of the Fund’s assets to be unquoted at 31 March 2021. Level 3 assets are those assets whose value is based on unobservable inputs, and consequently the estimation uncertainty for these assets is more significant than for assets valued at level 1 and 2.</p>	○	●	●	<p>Our audit procedures will include:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the skills, experience and qualifications of any external valuers used by the Pension Fund, and considering the appropriateness of the Pension Fund’s instructions to those valuers. • Obtaining an understanding of the basis of valuation applied in the year. • Agreeing the valuation of a sample of investments to supporting documentation including investment manager valuation statements and cash flow adjustments; and • Agreeing the valuation of a sample of investments to unqualified audited accounts or other independent supporting documentation, where available. <p>Although not directly related to the identified significant risk, we will also review the Fund’s classification of assets in the fair value hierarchy.</p>

Revenue recognition

We have considered the presumed risk of fraud under ISA (UK) 240 in relation to revenue recognition and have concluded that there is little incentive or opportunity to manipulate revenue at the Fund. We have therefore concluded that we can rebut this presumed risk and our testing of revenue will be at a standard risk. We have therefore not incorporated specific risk procedures over and above our standard fraud procedures to address the management override of controls risk.

Other key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement Other than those reflected in the table above we have not identified any such judgements, and we have not identified any enhanced risks.



05

Section 05:

Fees for audit and other services

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5. Fees for audit and other services

Fees for work as the Fund's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter.

Area of work	2020/21 Proposed Fee	2019/20 Planned Fee
Code Audit Work	£43,383	£43,383

Fees for pension assurance

The fee for Code Audit Work does not include fees chargeable to the Fund for pension assurance work undertaken at the request of employer auditors for the year ended 31 March 2021. The total fees chargeable for this assurance were approximately £30,000 in 2019/20. It is expected that the Fund will recharge these fees to the relevant employers. This approach is in line with the PSAA Terms of Appointment and the expectation within NAO's AGNOC General Guidance Supporting Local Audit.

Fees for non-PSAA work

We have not been engaged by the Pension Fund to carry out any additional work separate from our delivery of the NAO Code of Practice audit work. Before agreeing to undertake any additional work we will consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 6.



06

Section 06:

Our commitment to independence

Page 31

6. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- Partners and staff are required to complete an annual independence declaration;
- New partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team; and
- Use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Karen Murray in the first instance.

Prior to the provision of any non-audit services Karen will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. Included in this assessment is consideration of Auditor Guidance Note 01 as issued by the NAO, and the PSAA Terms of Appointment.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



07

Section 07:

Materiality and other misstatements

Page 33

7. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £m
Overall materiality	220.3
Performance materiality	176.24
Specific overall materiality applicable to the Fund Account	86.0
Specific performance materiality applicable to the Fund Account	68.8
Threshold for errors to be reported to the Audit Panel	6.609

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- Will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of net assets. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit Panel.

We consider that net assets remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



7. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 1% of net assets. Based on the reported net assets of the Fund at 31 March 2020, the initial overall materiality level for the year ended 31 March 2021 is £220.3m (£238m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level. Based on our knowledge and discussions with the Fund we expect that the benchmark (net assets) will be higher at the year ended 31 March 2021 and we expect that the final materiality level, based on the 2020/21 financial statements will be correspondingly higher than this initial level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Panel that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the

accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £6.609m based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Karen Murray.

Reporting to the Audit Panel

The following three types of audit differences will be presented to the Audit Panel:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

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Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two-way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you. Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum; and
- Our Audit Completion Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Engagement and responsibilities summary

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Appendix

Appendix: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
<p>With respect to fraud communications:</p> <ul style="list-style-type: none"> • Enquiries of the Audit Panel to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud. 	Audit Planning and Clearance meetings, Audit Completion Report and discussion at Audit Panel meetings.
<p>With respect to misstatements:</p> <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant. 	Audit Completion Report

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Appendix: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Panel in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>



Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Panel into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Panel may be aware of.	Audit Completion Report and the Audit Panel meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report



Contact

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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