

REPORT FOR: Pension Board

Date of Meeting:

22 March 2016

Subject:

Information Report – Annual Review of Internal Controls at Fund Managers

Responsible Officer:

Dawn Calvert, Director of Finance

Exempt:

No

Wards affected:

All

Enclosures:

Appendix – Review of Internal Controls at Fund Managers

Section 1 – Summary

The report sets out in summary the contents of the latest internal controls reports of each of the Fund Managers.

FOR INFORMATION

Section 2 – Report

1. The Report of the Auditor on the Pension Fund's 2009-10 Accounts recommended that due diligence be carried out on the strength of the operational controls at investment managers both through a review of internal controls reports and visits to key investment managers. At the November 2010 meeting of the, then, Pension Fund Investment Panel a template was introduced as a basis for measuring the level of assurance provided by the operational structure supporting each mandate.
2. Operational controls of investment managers relate to the procedures in place to safeguard the Fund's assets against loss through error or fraud and to ensure that client reporting is accurate. Poor operational controls can also hamper the management of the assets leading to reduced returns or increased costs. Should there be a lack of evidence that controls operated by investment managers are robust the continued appointment of the manager would be questionable.
3. Operational control reviews focus on the key environmental, business and process issues. A summary of the findings from the most recent reviews is provided in the Appendix. The key points from the findings in respect of the Fund's current managers are as follows:

Aviva Investors

The audit, carried out by PricewaterhouseCoopers LLP, indicates that controls are operating effectively and where shortcomings have been identified that there has been a satisfactory management response.

BlackRock Inc

The audit, carried out by Deloitte and Touche LLP, indicates that controls are operating effectively and, where shortcomings have been identified, that there has been a satisfactory management response.

GMO

The audit, carried out by PricewaterhouseCoopers LLP, indicates that controls are operating effectively and, where shortcomings have been identified, that there has been a satisfactory management response.

Insight Investment

The audit carried out by KPMG LLP indicates that controls are operating effectively and, where exceptions have been identified, that there has been a satisfactory response.

Longview Partners LLP

The audit, carried out by Moore Stephens LLP, indicates that controls are operating effectively and that no control shortcomings were identified.

Oldfield Partners LLP

The audit, carried out by Deloitte LLP, indicates that controls are operating effectively and that no control shortcomings were identified.

Pantheon

The audit, carried out by KPMG LLP, indicates that controls are operating effectively and that no control shortcomings were identified.

Record Currency Management Ltd

The audit, carried out by Grant Thornton UK LLP, indicates that controls are operating effectively and that no control shortcomings were identified.

Standard Life Investments Inc

The audit carried out by KPMG LLP indicates that controls are operating effectively and, where exceptions have been identified, that there has been a satisfactory response.

State Street Global Advisors

The audit, carried out by Ernst and Young LLP, indicates that controls are operating effectively and, where shortcomings have been identified, that there has been a satisfactory management response.

Financial Implications

4. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund , there are no financial implications arising from this report.

Risk Management Implications

5. The risks arising from investment performance are included in the Pension Fund risk register.

Equalities implications

6. There are no direct equalities implications arising from this report.

Council Priorities

7. Investment performance has a direct impact on the financial health of the Pension Fund which directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities

Section 3 - Statutory Officer Clearance

Name Dawn Calvert



Director of Finance

Date: 25 February 2016

Ward Councillors notified:

NO

Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450

Background Papers - None