

**REPORT FOR: PENSION FUND  
COMMITTEE**

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**Date of Meeting:** 21 June 2016

**Subject:** **Information Report** – Annual Review of Internal Controls at Longview Partners

**Responsible Officer:** Dawn Calvert, Director of Finance

**Exempt:** No

**Wards affected:** All

**Enclosures:** None

**Section 1 – Summary**

The report sets out in summary the contents of the latest internal controls report from Longview Partners LLP.

**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.
4. At their meeting on 9 March the Committee received reports in respect of all its managers.
5. For eight of the Fund's managers the latest reports received were for periods of 12 months ended during 2015 but for two of them, Insight Investment and Longview Partners LLP, they were in respect of the year ended 31 December 2014. Since the Committee met a report has been received from Longview in respect of the year ended 31 December 2015 the key points from which are given below. Insight have advised that their report for the year ended 31 December 2015 will be available in July/August and a summary of this will be provided for the Committee at its next meeting.

### **Longview Partners**

The report carried out by Moore Stephens LLP entitled "Assurance Report on Internal Controls" for the period 12 months to 31 December 2015" included the following:

In the Auditor's opinion, in all material respects:

- a) the accompanying report by the members describes fairly the control procedures that relate to the control objectives referred to above which were in place as at 31 December 2015;
- b) the control procedures described in section 6 were suitably designed such that there is reasonable, but not absolute, assurance that the specified control objectives would have been achieved if the described control procedures were complied with satisfactorily; and

- c) the control procedures that were tested, as set out in the attachment to this report were operating with sufficient effectiveness for us to obtain reasonable, but not absolute, assurance that the related control objectives were achieved in the period 1 January 2015 to 31 December 2015.

Of the 91 controls tested by the auditor, 1 exception was identified as follows:

*Moore Stephens verified through observation and system configuration review that Safend Data Protection Agent is installed on all workstations and that it blocks the download of data to USB memory drives.*

*Exception noted: A small number of PCs had Safend Data Protection Agent deployed but it was not performing as expected.*

*Management response: During 2015, Longview rolled out a small number of new PCs with Safend software deployed. This deployment did not restrict USB access as expected. The impacted PCs are all contained within a secure office environment and all PC based anti-virus protection software was successfully deployed. The PCs in question have now had their Safend software updated.*

## **Financial Implications**

6. 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**

7. The risks arising from the controls exercised by the Fund's investment managers are included in the Pension Fund risk register.

## **Equalities implications**

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

## **Council Priorities**

9. 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: 7 June 2016

**Ward Councillors notified:**

**NO**

### **Section 4 - Contact Details**

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

**Background Papers - None**