

ITEM NO: 5(a)

GREATER MANCHESTER PENSION FUND

ETHICS AND AUDIT WORKING GROUP

23rd January 2009

Commenced: 10.00am

Terminated: 12.40pm

Present: Councillor Middleton (Chair)

Councillor Harrison

Councillor Mitchell

Councillor Pantall

Councillor Sidebottom

Councillor K Welsh

Mr Mulryan

Mr Llewellyn

P Morris

Director of Pensions

S Taylor

Head of Pension Fund Investments

T Boyle

Head of Pension Fund Accountancy

V Plackett

Pension Fund Accountancy

D Hobson

Pension Fund Investments Team

L Kettles

Audit Commission

J Harrison

Audit Commission

C Weston

Internal Audit

Apologies for absence: Councillors Wareing, Fairweather, McCann

20. MINUTES

The Minutes of the proceedings of the meeting of the Ethics and Audit Working Group held on 24th October 2008 were approved as a correct record.

21. EXTERNAL AUDIT PLAN 2008/2009

The Director of Pensions explained that there had been a change of auditors and that the Audit Commission had now taken over from PriceWaterhouseCoopers as the Fund's external auditors.

The Audit Commission then submitted a report which advised members of the Fund's external audit arrangements and the External Audit Plan for 2008/2009.

Members sought clarification with regard to the increase in the audit fees. Ms Kettles of the Audit Commission explained that Audit Commission has guidance on fees, and added that the fee had been pitched mid-point in the range of the guidance.

RECOMMENDED

That the content of the report be noted.

22. CORE BELIEF STATEMENT

A report was submitted by the Director of Pensions which advised the Working Group of the proposed approach to drafting a Core Belief Statement.

Mr Taylor introduced the item and Mr Hobson from the Investments Team outlined the draft statement, which was appended to the report, and highlighted relevant areas.

It was reported that, in the first instance, this initial draft version be discussed with the Fund's Actuary Advisor and managers and that any further appropriate amendments to be made thereto. It was then intended that the resulting draft Core Beliefs Statement be considered for adoption at the March meeting of the Management Panel.

RECOMMENDED

That the Working Group endorse the proposed approach.

23. RISK MANAGEMENT AND INTERNAL AUDIT SERVICES – OCTOBER – DECEMBER 2008

Consideration was given to a report of the Borough Treasurer which summarised risk management and internal audit work carried out in the period October to December 2008. It also provided details of further reviews, investigations, checks and other Internal Audit activities up to the end of December 2008.

It was reported that 13 reports had been issued in the period, of which six had been finalised.

The report detailed work in progress as follows:

- Legal Services TRAM;
- Managed Audit Pensions Payroll;
- Managed Audit Securities Investments; and
- Retirement Grants.

With regard to amendments to the 2008/9 Internal Audit Plan, it was reported that External Audit had requested that the managed audit work be carried out earlier than previously. The work needed to be done in the final quarter of the 2008/9 Plan, so it was proposed that three audits be carried forward, that have not yet started and replace those days with the managed audit work. Consultation had taken place with the relevant Service Unit Managers who had agreed that this would be acceptable. This would be a one off change to the plan, enabling the managed audits to be carried out in the final quarter in future years plans.

The three audits to be carried forward were:

- Custodian Arrangements (15 days)
- Internally Managed Fund (10 days)
- Managing Agents (15 days)

With regard to the National Fraud Initiative (NFI), the data for the 2008/9 data matching exercise had been submitted via the Audit Commission's website. The reports would be available to look at in the middle of February 2009.

It was also reported that there had been one irregularity reported in relation to the Pension Fund in this quarter in relation to a payment of a death grant. These allegations were currently being investigated.

RECOMMENDED

That the report be noted and the amendments to the Audit Plan be approved.

24. GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE EIGHT MONTHS TO NOVEMBER 2008

The Director of Pensions submitted a report which compared the administration expenses budget against the actual results for the eight months to November 2008.

In the eight months to 30th November 2008 there was an under-spend of £402,000 against the budget of £7,946,000 for that period. Reasons for major variations were detailed in the report.

Mr Hobson reminded the Working Group that GMPF were members of the Local Authority Pension Fund Forum (LAPFF). At a recent meeting of the Executive of LAPFF it was proposed that the larger funds pay a higher fee, due to increased activity in the current market conditions. The Executive unanimously agreed this proposal, which would mean that the Fund would now pay an extra £2,500 per year, if such a course of action was approved by the forthcoming LAPFF business meeting.

Mr Hobson also explained to members that in January 2007 there had been a report to the Working Group with regard to claims for the recovery of European withholding tax, to which further top up claims had now very recently been added. It was reported that it may be necessary to pursue claims via local courts in the Netherlands and that there was a cost share agreement between claimants which the Fund had now joined. This process could take some time and was unlikely to be settled in the immediate future, however Mr Hobson would provide updates to future meetings.

RECOMMENDED

- (i) That the report be noted.**
- (ii) That the increased fee to LAPFF be approved.**

25. AGED DEBT MONITORING

A report was submitted by the Director of Pensions which showed that the value of aged debt for the fund as at 31st December 2008 was £9.2 million, this showed an increase in the overall debt from 30th September 2008 quarter of £5.2 million. However, it was explained that as the Christmas break occurred at the quarter end date, monies paid into the bank during the holiday period were currently being allocated against outstanding invoices. Some of the reported increase was due to timing differences. Thus the picture at the end of December was distorted and it was reported that the value of aged debt to date was £2.4m.

RECOMMENDED

That the report be noted.

26. PIRC UPDATE

Alan McDougal and Janice Hayward of PIRC Ltd attended the meeting and circulated a paper 'Written evidence to the Treasury Committee inquiry into the banking crisis.

Governance in the banking industry was discussed and Mr McDougal also commented on the structure of LAPFF and PIRC's involvement with them.