



**Final Internal Audit Report  
Financial Services**

**Pension Fund Investments 2023/24**

**1. Introduction**

- 1.1 A review has recently been completed of Pension Fund Investments undertaken by the Treasury Management Team.
- 1.2 The audit examined the procedures in place and included detailed testing in the following areas:
- Investment Management
  - Review of Pension Fund Managers
  - Fund Managers Agreements
  - Fund Managers Invoices
  - Monitoring of Fees (deducted directly from the Fund)
- 1.3 The objectives of the audit were to ensure that material business risks have been identified and that the controls in place are adequate for the purpose of minimising business risk and are operating in practice.
- 1.4 The service was last audited during 2021/22 when there were no recommendations and the opinion rating awarded was 'High'.
- 1.5 Work carried out and detailed findings are recorded below and any recommendations arising are included in the attached Management Action Plan.

**2. Work Done / Findings**

- 2.1.1 The Council is the Administering Authority of the Swansea Pension Fund. Contributions to the fund include Swansea Council employees, along with a number of external bodies such as Neath Port Talbot County Borough Council, Tai Tarian and Gower College.
- 2.1.2 The Council has delegated the investment management of the Pension Scheme to the Pension Fund Committee, which comprises of six Swansea Councillors and one Neath Port Talbot Councillor. We were informed that the Committee members have all undertaken extensive training and receive advice from the Deputy Chief Finance Officer, the investment consultants and the Actuary. It was confirmed that the Pension Fund Committee meets quarterly.
- 2.1.3 The Investment Policy for the Pension Fund is included in the City and County of Swansea Investment Strategy Statement 2022/23.

2.1.4 In April 2016, the Local Government Pension Scheme Advisory Board was established as a statutory body to encourage best practice, increase transparency and co-ordinate technical and statutory issues at a national level. Each Pension Fund is required to have a Pension Board working to nationally set guidance. The Swansea Pension Board currently has four employer representatives, from Swansea Council and Neath Port Talbot CBC, and three union representatives. The Board ensures that the Pension Fund complies with the relevant laws and regulations, along with the requirements of the Pensions Regulator.

2.1.5 Wales Audit Office carries out an annual audit of the Pension Fund and investments. It was noted that there were no matters to consider or bring to the attention of the public and therefore no requirement for a report to be issued for the 2022-23 audit, under Section 22 of the Public Audit (Wales) Act 2004. The Notice of Completion and findings were presented to the Pension Fund Committee in November 2023.

### **2.2 Review of Pension Fund Managers**

2.2.1 The Pension Fund Committee are presented with reports on the fund managers' performance. Also, reports are presented by the investment consultant and the Deputy Chief Finance Officer. An update on the Wales Pension Partnership is also provided by the Deputy Chief Finance Officer.

2.2.2 Fund managers are invited to make a presentation to the Pension Fund Committee meeting on a rotational/required basis, so that all are seen regularly. Questions in relation to the content of the presentation are asked by the Committee members and responses provided accordingly.

### **2.3 Fund Manager Agreements**

2.3.1 The signed fund managers' agreements are retained by the Treasury Management Team. A sample of five agreements were selected for testing to ensure that copies of the agreements were available. All testing proved satisfactory.

### **2.4 Fund Manager Invoices**

2.4.1 Our enquiries revealed that some fund managers invoice their agreed management fees on a quarterly basis and these invoices are checked for accuracy and authorised by the Treasury Management Team.

2.4.2 A sample of five invoices was selected for testing. It was confirmed that all the invoices had been charged correctly, were properly authorised and the ledger had been updated.

### **2.5 Monitoring of Fees (deducted directly from Fund)**

2.5.1 The fund managers that do not submit quarterly invoices deduct the fees directly from the investment fund. At year end, the Treasury Management Team raise journals to adjust the Pension Fund balances on the ledger to reflect the charges deducted.

- 2.5.2 A sample of five journals was selected for testing, to ensure that the fees had been checked for accuracy, and that the journals had correctly been updated in the ledger. All testing was satisfactory.

### **3. Conclusion**

- 3.1 The Internal Audit Section operates a system of Assurance levels which gives a formal opinion of the achievement of the service's/system's control objectives. The Assurance levels vary over four categories: 'High', 'Substantial', 'Moderate' and 'Limited'.
- 3.2 Based on the audit testing undertaken, all the areas reviewed proved satisfactory, resulting in no recommendations being made.
- 3.3 As a result, an Assurance Level of '**High**' has been given. This indicates that 'there is a sound system of internal control designed to achieve the system objectives and the controls are being consistently applied.'
- 3.4 The basis for each of the Assurance levels is noted in **Appendix 1**.
- 3.5 This audit was conducted in conformance with the Public Sector Internal Audit Standards.

Appendix 1**Classification of Audit Recommendations**

<b>Recommendation</b>	<b>Description</b>
High Risk	Action by the client that we consider <b>essential</b> to ensure that the service / system is not exposed to <b>major risks</b> .
Medium Risk	Action by the client that we consider <b>necessary</b> to ensure that the service / system is not exposed to <b>significant risks</b> .
Low Risk	Action by the client that we consider <b>advisable</b> to ensure that the service / system is not exposed to <b>minor risks</b> .
Good Practice	Action by the client where we consider <b>no risks</b> exist but would result in better quality, value for money etc.

**Audit Assurance Levels**

<b>Assurance Level</b>	<b>Basis</b>	<b>Description</b>
High Assurance	Recommendations for ineffective controls affecting the material areas of the service are not High or Medium Risk. Any recommendations are mainly Good Practice with few Low Risk recommendations.	There is a sound system of internal control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	Recommendations for ineffective controls affecting the material areas of the service are not High Risk. Occasional Medium Risk recommendations allowed provided all others are Low Risk or Good Practice.	There is a sound system of internal control but there is some scope for improvement as the ineffective controls may put the system objectives at risk.
Moderate Assurance	Recommendations for ineffective controls affecting the material areas of the service are at least Medium Risk.	The ineffective controls represent a significant risk to the achievement of system objectives.
Limited Assurance	Recommendations for ineffective controls affecting the material areas of the service are High Risk.	The ineffective controls represent unacceptable risk to the achievement of the system objectives.