



## Report of the Section 151 Officer

Pension Fund Committee – 11 September 2024

### Controls Assurance Reports

<b>Purpose:</b>	To inform Pension Fund Committee of reported exceptional items contained within the internal control assurance reports of appointed fund managers/custodians.
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Report Author:</b>	Jeff Dong
<b>Finance Officer:</b>	Jeff Dong
<b>Legal Officer:</b>	S Williams
<b>Access to Services Officer:</b>	N/A
<b>For Information</b>	

#### 1 Background

1.1 The internal control and governance framework in which a business operates comprises the systems, work processes and culture and values by which the business directs and controls its business to provide comfort to its customers, clients and shareholders and by extension to their regulators/auditors.

1.2 Asset managers and custodians and depositaries are subject to heavy regulation from a global, EU and UK context. They are required to report on their systems of internal control which are subject to external audit and comment by suitably qualified and independent audit companies. Scope of the internal control environment and are of inspection include:

Fund accounting • Fund set-up • Security Master File • Trade ordering  
Trade processing • Corporate Actions • Income • Expenses • TA activity  
processing • Cash and portfolio reconciliation • Pricing • Valuation and net  
asset value calculation • Hedging • Exchanges Traded Funds (ETF) •  
Investment restriction monitoring Transfer Agency • Fund set up • Investor  
Master set up • Distributor commission profile set up • TA transaction

processing • Application foreign exchange rates • Payments • Dividends • Cash reconciliation Investor Services Operations • Logical access • Solution delivery • Change management • Problem/Incident management • Computer Operations

- 1.3 The audit and review timetable regime differs for each asset class and geographical jurisdiction. It is noted that for the listed asset classes, the reporting cycle and reporting framework is well established. All of the listed assets are managed via the Wales Pension Partnership and this represents over 70% of City & County of Swansea Pension Fund Assets, which are managed by Russell Investments with the passive investment being managed by Blackrock. The Russell Investments System and Organisation Control Report and The Report on Controls at Blackrock placed in Operation and Tests of Operating Effectiveness in Asset Management is attached at Appendix 1 and 2 in full. There are no issues of concern.
- 1.4 However, for the private market asset classes where fund structures do not have direct investor access rights and where the required disclosures are not as regimented, the assurance framework is less well documented. Appendix 3 outlines where the fund has received control assurance reports and where alternative provisions have been made available. Where control assurance reports have been provided, Appendix 4 outlines the exceptions to the control environment identified and the management action taken. It is noted that the exceptions have been addressed appropriately by management and are recognised as such with appropriate remedial action being undertaken. The exceptions highlighted are taken seriously but do not pose direct concern for the businesses concerned or the assets under management.

## **2 Legal Implications**

- 2.1 There are no legal implications arising from this report.

## **3 Financial Implications**

- 3.1 There are no financial implications arising from this report.

## **4 Equality and Engagement Implications**

- 4.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.
- Deliver better outcomes for those people who experience socio-economic disadvantage.
- Consider opportunities for people to use the Welsh language.

- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to their own needs.

4.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

4.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

4.4 There are no equality impact implications arising from this report.

**Background Papers:** None.

**Appendices:** Appendix 1 - The Russell Investments System and Organisation Control Report.

Appendix 2 - The Report on Controls at Blackrock placed in Operation and Tests of Operating Effectiveness in Asset Management.

Appendix 3 - Fund Manager Summary 2023/24.

Appendix 4 - Northern Trust System and Organisation Control (SOC1) Report (12 months ended 31/03/24).