

# LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 19 September 2023

**Subject:** Internal Audit Results

**Report author:** Siân Cogley, Pension Fund Manager

**Responsible Director:** Phil Triggs, Tri-Borough Director of Treasury and Pensions

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## SUMMARY

As part of the internal audit plan for 2022/23, agreed by the Audit Committee, an internal audit was undertaken of Pension Investments, within the London Borough of Hammersmith and Fulham (LBHF)

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## RECOMMENDATIONS

That the Pension Fund Committee notes the results of the internal audit.

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**Wards Affected:** None

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Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council taxpayer.

## Financial Impact

None

## Legal Implications

None

## DETAILED ANALYSIS

### Internal Audit Results

1. With regard to the internal audit's opinion, a rating of 'Satisfactory Assurance' can be given, such that the internal controls relied upon at the time of the audit were suitably designed, consistently applied and effective in their application.
2. Internal Audit has raised four areas for improvement, two of medium priority and two of low priority.

Priority	Matter for Address	Management Response
Medium	The Council had a rolling arrangement with the custodian where the cost of the service was agreed on an annual basis. The Investment Manger shared that the value of the contract is minimal and that the decision to roll forward with the contract was not documented within the key decisions by the Pension Board or Pension Committee. Furthermore, the service had not tested the market to confirm that value for money is being achieved	Officers have looked into a formal extension of the custody contract. However, LBHF will not currently approve any new contract without a commitment to local social value. This poses a problem for a global custodian as, under FCA rules, it is against Regulations to treat one client favourably over another. Procurement officers are currently unwilling to move on this point. Officers are still looking for a solution in the near future.
Medium	The Signatory List contained the former Director of Finance, Head of Strategic Planning and Monitoring, and the Strategic Investment Managers	An addendum to this list dated 1 February 2023 was added due to a new addition to the Hammersmith and Fulham Pensions team and updated for the current Director of Finance, Had of Strategic Planning and Monitoring and the Strategic Investment Managers.
Low	<p>Two training sessions were held for the Pension Board in 2021-22, as at the time of the audit (November 2022). Review of training records identified that four out of seven members had not attended either of the sessions and one member only attended one of the sessions offered.</p> <p>Two sessions were offered to the Pensions Fund Committee. Review of the training record found that one of the sessions was attended by five out of the eight members and the other</p>	<p>Pension Fund Committee and Board members undertake training, with at least three half day Tri-Borough training sessions during the year and members complete a training/skills form when they join the Committee.</p> <p>Training sessions are recorded and shared with all members and recorded within the training log. It is not mandated in legislation that Pension Fund Committee members should undertake regular training, although it is considered good governance</p>

	<p>sessions was attended by seven out of eight members.</p> <p>We were informed by the Pension Fund Manager that officers attended conferences and attend external training from the LGPS.</p> <p>Training records for the Manager and officers were not retained to substantiate this.</p>	<p>practice to provide it in any case. Fund officers cannot compel members to attend training.</p> <p>Officers regularly attend numerous training sessions, many of them alongside members, and attend various conferences and other training events throughout the year. It is agreed that this should be documented, and a section for Officer training has been added to the member training log.</p>
Low	<p>A Treasury and Pensions review of Tri-Borough arrangements was commissioned in 2019 and the report completed in November 2020 and presented to the Committee in March 2021. The report made 32 recommendations, that were recorded in a progress log to demonstrate the various stages of completion of the recommendations.</p> <p>Review of the Governance Log of Recommendations presented to the Pension Fund Committee in November 2022 found that 27 of the 32 recommendations had been recorded as implemented.</p> <p>The matter to address is regarding where the Council do not implement the recommendations in a timely manner the Council is further exposed the risks and issues observed at the time of the review.</p>	<p>At the Pension Fund Committee of the 19 September 2023 officers have brought the final outstanding item of the Communication Policy alongside the final log of progress regarding the 32 recommendations.</p> <p>A six-month implementation period is standard for action regarding governance recommendations.</p>

## LIST OF APPENDICES

Appendix 1: Final Internal Audit Report