

## ***INTERNAL FINANCIAL CONTROLS POLICY***



### **Internal Financial Controls:**

Internal financial control provides assurance that the Pension Scheme's assets are safeguarded, transactions are authorised and properly recorded and that material errors or irregularities are either prevented or can be detected in a timely manner if they occur.

In this regard, it is the responsibility of the Trustees:

1. To ensure that proper accounting records are maintained.
2. To monitor and review the system of financial controls in place.
3. To ensure that pension contributions are remitted within statutory timescales and that any breaches are remedied as a matter of urgency.

### **Trustee Bank Account:**



The accounts for the National Federation's Pension Scheme Trustees Bank Account, held in Bank of Ireland, Oranmore, Galway, are maintained by the Pension Scheme Manager and updated bank activity reports are provided at each Trustees meeting to ensure compliance and confirmation that all activity is recorded as per bank statements.

### **General Principles:**

To ensure as much safeguards are put in place, the Trustees have implemented the following procedures:

- a) Pension contributions and life assurance premiums are remitted by employers directly to Irish Life and Cornmarket.
- b) The Trustees have delegated the payment of all benefits (and appropriate taxes) – apart from death claims for active members to Irish Life.
- c) Activity in the Trustee bank account is reviewed at each regular Trustee meeting.
- d) Payments from the Trustee bank account are processed:
  - a. By Electronic Funds Transfer via Bank of Ireland Business OnLine for values less than €100,000.
  - b. Via cheque in respect of values over €100,000 (controls regarding the signing of cheques and the processing of online payments are set out below).
  - c. A daily limit of €150,000 has been set online.

### **Procedures for Paying Invoices / Creditors:**

-  All expenses / invoices that relate to the Pension Scheme, and that are paid from the Pension Scheme Trustees' Bank Account, are approved by the Pension Scheme Chairman.
  
-  All payments with a value of less than €100,000 can be processed electronically via Bank of Ireland Business OnLine. Any payments above this threshold are required to be processed via cheque.

- ✚ The current authorised signatories to the Pension Trustees' Bank Account, as agreed at Trustees meeting held on 7<sup>th</sup> September, 2020, are:
  - John McHugo, Chairman;
  - Pauline Brennan, Trustee;
  - James Skehan, Professional Trustee;
  - Maria McMahan, Pension Scheme Manager.
  
- ✚ **Two authorised signatories** are required to sign **all** cheques and prior to the processing of any Bank of Ireland Business OnLine transactions.
  
- ✚ In relation to the Pension Scheme Manager's appointment as a signatory to the bank account the following was agreed:

**Cheque Payments:**

  - The Pension Scheme Manager would only sign cheques for amounts **not greater than €25,000.** When the Pension Scheme Manager is eligible to sign a cheque i.e., for amounts less than €25,000, she will sign the cheque first, followed by another Trustee who has bank signatory authority i.e., John, Pauline or James as outlined above.
  - In respect of a cheque payment greater than €25,000, the Pension Scheme Manager will request 2 other authorised signatories to sign the cheque.

**EFT Payments:**

  - In respect of the EFT facility, the Pension Scheme Manager has "view access" and can also set up Payees and Payments online. The Pension Scheme Manager cannot process any payments. John McHugo is the Administrator on the Bank of Ireland Business Online account and both he and James Skehan has full access to all transactions online. Maria sets up all payments online and John McHugo or James Skehan will authorise and process the payment. For amounts less than €25,000 it has been agreed that when Maria sets up the payment online and advises either John or James to process and authorise same, she will be classified as the first authorised signature and John or James as the second authorised personnel involved in the processing of the online payment.
  - If the payment amount relates to an amount above Maria's limit i.e., €25k, the Pension Scheme Manager will request another Trustee to approve the invoice via email. Maria will then set up the payment online and when notifying John or James to authorise and process the payment online, she will also forward confirmation of the other Trustees' approval via email.
  
- ✚ No bank signatory will co-sign a cheque or approve a payment online if the payment is in respect of themselves e.g., Travel Claim.
  
- ✚ All cheque and online transactions are recorded on an excel spreadsheet.
  
- ✚ A bank activity report is presented to the Trustees, together with Bank Statements & Reconciliations, at each Trustees meeting.
  
- ✚ All bank activity and records are presented at year end to the Pension Scheme's Auditor for validation and preparation of year end accounts as required under Pension Legislation.

**Trustee Reserve Fund:**

The Trustees at their meeting in November 2019, in the absence of any guidance being available at that time in respect of dictating what is an appropriate reserve figure to hold for a pension scheme similar to the National Federation’s, agreed to set the following maximum reserve in the interim i.e., 0.5% of total net assets figure. In this regard, total net assets as at 31/12/18 was approx. €194m x 0.005 = €970k, rounded to €1m was agreed as the maximum figure to hold as a reserve. Once monies in the Trustees bank account exceed this maximum €1m reserve, arrangements to allocate one off monies will commence. If the Trustees wished to make a one-off allocation prior to reaching their €1m reserve figure, this could be facilitated.

**Procedures for Lodging Receipts:**

The main sources of receipts are derived from the following:

1. Member’s Death Benefits monies comprising:
  - Cornmarket – A lump sum of three times the member’s Salary at the date of death; and
  - Irish Life – The value of the member’s pension fund at date of death.



2. Cornmarket refund the Trustees the administration contribution they receive monthly from Pension Scheme employers, which is included in the employer 0.65% premium remitted to Cornmarket for death in service as follows:

Death in Service & Admin Contribution  – Remitted from Participating Employers to Cornmarket	=	Cornmarket remit Death in Service Benefit Premium to Zurich	Cornmarket remit Administration Contribution to National Federation Pension Trustees Bank Account
<b>0.65%</b>		<b>0.43%</b>	<b>0.22%</b>

- The above two types of receipts are received by electronic funds transfer directly from Irish Life and Cornmarket into the Pension Trustees Bank Account.
- All receipts are requested to be made by EFT, however, if a cheque is received the Pension Scheme Manager will lodge same by using a lodgement card for the Trustees Bank Account.
- There is no card associated with the Trustees Bank Account that facilitates withdrawals from the account, only lodgements.

**Pension Scheme:**

The NFVSP Pension Scheme is administered by Irish Life and invested by Irish Life Investment Managers. Citibank act as custodians of the scheme assets. The annual pension contributions (€16m) and assets (€273m)

are significant and the Trustees are conscious of the need to ensure that there are robust controls in place to safeguard the Scheme's assets.

The pension contribution payment to Irish Life amounts to 11.35% of salaries (+ any AVCs). It is recognised that employee contributions (5% and any AVCs), and the corresponding employer pension contributions (6.35%) must be remitted to Irish Life within 21 days of the end of the month that the employee contributions (and AVCs) were deducted.

To ensure these payments are made on time the Trustees have established the following procedures:

1. Each participating employer has been briefed on the need for the correct deductions to be made from employee's salaries and for these, together with the corresponding employer contributions, to be remitted to Irish Life and Cornmarket / Zurich in a timely fashion.
2. The timely remittance of pension contributions is monitored by Irish Life on behalf of the Trustees who monitor the remittance of contributions, which are scheduled to be paid no later than the 10<sup>th</sup> of the following month in respect of when deductions were made from salary e.g., 10<sup>th</sup> February for January pension deductions.
3. It has been agreed with Irish Life that monthly status reports will be sent to the Pension Scheme Manager on the 12<sup>th</sup> and 18<sup>th</sup> of each month to ensure that all payments and breakdown schedules have been received. This will ensure that the Trustees are kept fully informed regarding any contributions that may be in danger of missing the 21-day deadline.
4. If contributions remain outstanding on the 18<sup>th</sup> of the relevant month the Pension Scheme Manager will intervene directly with the relevant employer to ensure that contributions are paid before the 21<sup>st</sup>.
5. If any payments are missed or late, the Trustees will take steps to bring payments up to date as a matter of urgency.
6. If there is a serious delay in contributions being remitted, then the Trustees will report these payment failures to the Pension Authority, no later than 3 months after the first instance of non-remittance.
7. Where there is a material delay in payment, the Trustees will also inform the affected members and seek compensation from the affected employer if members have suffered any investment loss.

**Life Assurance Scheme:**

The life assurance part of the scheme is administered by Cornmarket and underwritten by Zurich Life. A total of 0.65% of salary is paid over directly to Cornmarket by each participating employer every month.

On receipt of these payments, Cornmarket will:

- ✓ Pay the life assurance premium of 0.43% to Zurich Life;
- ✓ Pay the administration fee of 0.22% to the Trustee bank account via EFT.

### Benefit Payments:

A range of benefits can be paid from the Scheme when a member leaves service, retires or dies. The Trustees are responsible for ensuring that the correct benefits are paid to the appropriate recipient, any tax due is remitted to the Revenue and that there are no breaches of Anti-Money Laundering (AML) Regulations.

### Internal Audit Function:

Tom Gilligan, Align Advisory has been appointed as the Scheme's Internal Audit Key Function Holder for the Scheme with effect from May 2022 for a three-year period.

Document Control	
Approved By:	Mr John McHugo Pension Scheme Chairman, National Federation of Voluntary Service Providers' Pension & Life Assurance Scheme
Date approved:	20 <sup>th</sup> October, 2022
Approved by:	Mr James Skehan, Professional Trustee, National Federation of Voluntary Service Providers' Pension & Life Assurance Scheme
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Previous versions	27 <sup>th</sup> January, 2022



Signed: \_\_\_\_\_  
**John McHugo,  
Chairman.**

Date: **20<sup>th</sup> October, 2022**



Signed: \_\_\_\_\_  
**James Skehan,  
Professional Trustee.**

Date: **20<sup>th</sup> October, 2022**