

<b>Essex Pension Fund Board</b>	<b>EPB/18/12</b>
<b>Date: 11 July 2012</b>	

## **Internal Audit Annual Report of Pension Fund Work**

Report by Peter Tanton Head of Internal Audit

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### **1. Purpose of the Report**

- 1.1 The Pension Board is responsible for overseeing the Audit Programme in relation to the Pensions Fund. It is therefore appropriate for it to receive frequent reports from Internal Audit regarding the control environment of the Pension Fund and Administration.
- 1.2 This report provides a summary of Internal Audit's 2011/12 work and proposals for 2012/13.

### **2. Recommendations**


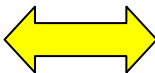
- 2.1 Pension Board members are requested to note outcome of the 2011/12 plan.
- 2.2 Pension Board members are requested to note the planned audits of the Pension Fund for 2012/13 and to advise if there is any area of work they would like to be reviewed.

### **3. Background**

- 3.1 ECC is the administering authority for the Pension Fund and as such the Pensions Administration and Pension Fund Investment represent major systems in terms of financial control and reporting of the Council's activities.

### **4. 2011/12 audit work**

- 4.1 Table 1 Progress on 2011/12 audit

2011/12 Audits	Opinion	No of Recommendations				
		Critical	Major	Moderate	Best Practice	Total
<b>Pension Administration (KFS11)</b> <b>(Annex A):</b>  No recommendations graded moderate or above	<b>Full Assurance</b>  Direction of Travel  The control environment has improved since our prior audit				2	2
<b>Pension Investment (KFS10)</b> <b>(Annex B):</b>  No recommendations graded moderate or above	<b>Full Assurance</b>  Direction of Travel  The control environment has not changed since our prior audit				1	1
<b>TOTAL</b>					<b>3</b>	<b>3</b>

4.2 Table 1 provides a summary of our findings from the Pension Administration, Pension Investment, both received Full Assurance opinions.

## 5.0 National Fraud Initiative (NFI)

- 5.1 The prevention and detection of fraud and error in local government and the health service is a major concern of the Audit Commission. In 1996, following a successful exercise based on local authorities in London, the Commission launched a National Fraud Initiative (NFI).
- 5.2 The Commission has run the NFI data matching exercise once every two years since 1996. It compares sets of data to identify inconsistencies or other circumstances that might suggest fraud or error. Participating bodies investigate the results from NFI. Since the Audit Commission launched the NFI, it has led to the identification of an estimated £500 million of fraud and

overpayments. New powers given to the Audit Commission under the Serious Crime Act 2007 mean that the NFI has an enhanced role in safeguarding the public purse.

- 5.3 The pension matches arising from the 2010 NFI exercise were provided for investigation in January 2011. Our 2010/2011 report provided an interim position as the investigatory work was still in progress, identifying overpayments in respect of deceased pensioners of £28,637 (in recovery), with an annualised pension value of £68,914. **The outcomes of the 2010 NFI are overpayments totalling £29,888, with an annual pension value of £70,733.**
- 5.4 A further supplementary NFI non-mandatory exercise was undertaken in December 2011, with the objective of providing early identification of potential overpayments in respect of deceased pensioners. **ECC took part in this exercise which identified £10,528 overpayments with an annual pension value of £53,148.**
- 5.5 Data matching is valuable control for the pension fund and the NFI biennial exercise will be undertaken in 2012/2013.

## **5. 2012/13 Audit Plan**

- 5.1 On 19 March 2012, the Audit Committee approved the Internal Audit plan for 2012/13. The plan contains the following Pension Audits:
- KFS 8 Pension Investment – 20 days
  - KFS 9 Pensions Administration – 20 days
  - CF 1 National Fraud Initiative 2012 – 5 - 10 days\*

\*The plan details 40 days - a proportion will be used for the pension data submission and investigation of matches, indicatively this is usually between 5 and 10 days but this is dependent on the nature and volume of matches returned and further investigatory work..

- 5.2 For 2012/13, the total charge to the Pensions Fund will be £22,500.

## **6. Background Papers**

- 6.1 2011/12 Audit Plan – Agenda 14 Audit Committee 16<sup>th</sup> May 2011
- 6.2 2012/13 Audit Plan – Agenda 9 Audit Committee 19<sup>th</sup> March 2012