

Essex Pension Fund Board	EPB/17/11
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Internal Audit Annual Report of Pension Fund Work

Report by Assistant Director, Internal Audit & Risk Management Consultancy Services

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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 2010/11 work and proposals for 2011/12.

2. Recommendations


- 2.1 Pension Board members are requested to note outcome of the 2010/11 plan.
- 2.2 Pension Board members are requested to note the planned audits of the Pension Fund for 2011/12 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. 2010/11 audit work

- 4.1 Table 1 Progress on 2010/11 audit

20010/11 Audits	Opinion	No of Recommendations				
		Critical	Major	Moderate	Best Practice	Total
Pension Administration (Annex A): <ul style="list-style-type: none"> The leavers' form should be amended to include hours worked so that it provides a basis for accuracy checks. Document verification :- <ul style="list-style-type: none"> a) <i>Transfers Out</i> The date of birth verification and evidence of check should be recorded on Axis. b) <i>Retirements</i> Where forms are not received this should be followed up and scanned on Axis before payment is made. c) <i>Deferred Benefits</i> Deferred benefits statement should be issued within the set timeframe. 	Substantial Assurance Direction of Travel N/A scope not directly comparable with 2009/10 audit			2	3	5
Pension Investment (Annex B): No recommendations graded moderate or above	Full Assurance Direction of Travel 			0	1	1
Pensions Bank Account (Annex C) No recommendations graded moderate or above	Full Assurance Direction of Travel n/a one off review following the introduction of a separate bank account for the Pension Fund in April 2010					
TOTAL				2	4	6

- 4.2 Table 1 provides a summary of our findings from the Pension Administration, Pension Investment and Pension Fund Bank Account. Pensions Investment and the Pension Fund bank Account both received Full Assurance opinions, with Pensions Administration receiving Substantial Assurance.

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 We have continued to support the NFI which is a biennial data matching administered by the Audit Commission. We made the initial data submission to the Audit Commission which resulted in the matches which being supplied to Essex County Council at the end of January 2011.

Work is still ongoing in respect of investigating the matches, however the currently deceased pensioners matches have identified overpayments of £28,637 (in recovery), with an annualised pension value of £68,914.

5. 2011/12 Audit Plan

- 5.1 On 16 May 2011, the Audit Committee approved the Internal Audit plan for 2011/12. The plan contains the following Pension Audits:
- KFS10 Pension Investment – 25 days
 - KFS11 Pensions Administration – 25 days
- 5.2 For 2011/12, the total charge to the Pensions Fund will be £22,500.

6. Background Papers

- 6.1 2010/11 Audit Plan - Agenda 10 Audit Committee 16th March 2010
- 6.2 2011/12 Audit Plan – Agenda 14 Audit Committee 16th May 2011