

Essex Pension Fund – Funding and Investment Final Internal Audit Report

Audit Plan Ref: FT3 21/22

Audit Opinion:
Good Assurance

Date Issued: 14 March 2022

Function: Corporate Services

Audit Sponsor: Jody Evans, Director, Essex Pension Fund


Distribution List: **Nicole Wood**, Executive Director for Corporate Services; **Jody Evans**; **Sam Andrews**, Investment Manager; **Sara Maxey**, Employer Manager; **Amanda Crawford**, Compliance Manager; **Kelly Armstrong**, Contact and Customer Manager; **Daniel Chessell**, Retirement Manager; **Chris Pickford**, Pensions Systems Manager; **Holly Gipson**, Pensioner and Payroll Manager; **Cllr. Barker**, Chair of Essex Pension Fund Strategy Board and Investment Steering Committee; **Barry Pryke**, External Audit







1. Executive Summary

Assurance Opinion	No	Limited	Satisfactory	Good
				✓

Number of Issues	Critical	Major	Moderate	Low
	0	0	0	0

Audit Objective	Key Messages	Direction of Travel
<p>This audit reviewed whether there are adequately designed controls in place and operating consistently, to enable prescribed processes to be followed in relation to Essex Pension Fund's funding, investment and governance, thus helping to ensure effective decision making, security of funds' assets and minimisation of error/fraud.</p> <p>Scope & Limitations</p> <p>The impact of change in working practices due to Covid-19 was considered throughout. The review only covered investments and funding activity in the previous 12 months and did not assess any of the arrangements or activity of the ACCESS pool or the ACCESS Support Unit (ASU). The ASU has been subject to a separate review in 2021 and also received Good Assurance.</p>	<p>Evidence was available to support that investments were made in approved classes by Fund Managers and the income from investments was monitored, received and recorded on a timely basis. All transactions sampled (relating to the movement of funds) were appropriately authorised.</p> <p>There was confirmed to be quarterly reporting to Investment Steering Committee (ISC), Pension Fund Advisory Board (PAB) and Pension Fund Strategy Board (PSB). Members of these groups were provided with regular and appropriate training to help support them in their roles. The Fund also receives expert advice from Independent Investment Advisors and Investment Managers, with the Fund's risks being regularly reviewed and reported to PSB. All key policies relating to the management and operations of the Fund were confirmed to be available and approved by the relevant Committee/Board. Evidence was also obtained to support ongoing monitoring and management of employer contributions.</p> <p>The impact of the McCloud court case and the expected retrospective changes to benefits, requiring benefits to be recalculated/increased, was also ascertained. Evidence was provided to verify that the Fund had continued to implement timely measures to deal with the additional workload. Additional staff had been onboarded to manage the increased level of administrative work.</p> <p>Essex County Council's (ECC's) accounting system TCS was replaced by My Oracle in October 2021. The impact of this change on the control environment and processes carried out by the Funding and Investment Team were considered whilst carrying out the review and no issues were identified.</p>	<p>The Assurance Opinion remains at "Good", meaning that there continues to be sound systems of internal control in place. No actions have been raised in this report.</p> 

2. Explanation of Assurance and Risk Priority Levels

Assurance level		Assessment Rationale	
Good		There is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to achieving those objectives. Actions will normally only be of Low risk rating. Any Moderate actions would need to be mitigated by significant strengths elsewhere.	
Satisfactory		Whilst there is basically a sound system of control, there are some areas of weakness, which may put the system/process objectives at risk.	
Limited		There are significant weaknesses in key areas of the system of control, which put the system/process objectives at risk. Improvement in the design and/or operational effectiveness of the control environment is necessary to gain assurance that risks are being managed to an acceptable level, and core objectives will be achieved.	
No		The system of internal control has serious weaknesses and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.	
Risk Priority Level		Definition	
Corporate	Critical	 Red	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, for example, reputational damage, significant financial loss (through fraud, error or poor value for money), intervention by external agencies and / or lack of compliance with statutory regulations. Remedial action is required immediately
Service	Major	 Amber	Audit findings indicate a serious weakness or breakdown in the control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently
	Moderate	 Yellow	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Prompt specific action should be taken
	Low	 Green	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. Remedial action is suggested

3. Further Information

Management Responsibility: It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit (IA) work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. IA endeavour to plan work so they have a reasonable expectation of detecting significant control weaknesses and, if detected, IA and Counter Fraud (CF) will carry out additional work directed towards identification of consequent fraud or other irregularities. However, IA procedures alone do not guarantee that fraud will be detected.

Following the Final Report: It is the owner's responsibility to ensure the agreed actions are implemented within agreed timescales and to update Pentana on a timely basis.

IA are regularly required to provide updates on the status of recommendations to the Audit Governance and Standards Committee, to the Corporate Governance Steering Board and to Functional Leadership Teams. We also receive ad-hoc requests for updates e.g. from the relevant Cabinet Member.

IA use the updates provided by Action Owners on Pentana for this purpose, so it is essential that progress is recorded regularly and accurately and when an action becomes overdue that a revised date to indicate when the action will be implemented is provided.

Audit Sponsor Responsibility:

- Approve the draft terms of reference to confirm their understanding and agreement of the risks, scope and nature of the review.
- Inform appropriate staff associated with the process under review about the nature of the review and what is required of them. Facilitate timely access to staff, records and systems.
- Approve and/or complete the Action Plan in the Draft Report and return to the Internal Audit Team within 15 working days to enable the Final Report to be issued promptly.
- Have oversight to ensure all agreed actions are implemented within the agreed timescales as recorded in the Action Plan in the Final Report.

Head of Assurance	Paula Clowes
Audit Manager	Sarah Harris / Stuart Coogan
Auditor	Murad Khan
Fieldwork Completed	February 2022
Draft Report Issued	1 March 2022
Management Comments Requested by	22 March 2022
Management Comments Received	11 March 2022
Final Report	14 March 2022