

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 04</b>
<b>Date: 12 September 2018</b>	

## **Internal Audit Annual Report 2017/18**

Report by Paula Clowes - Head of Assurance

Enquiries to Paula Clowes 03330 321474

---

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

- 1.1 The Essex Pension Fund Board's Terms of Reference include the monitoring of administration of the Essex Pension Fund. It is therefore appropriate for the Board to receive 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 2017/18 activity in relation to the pension fund and proposals for 2018/19.

### **2. Recommendations**

- 2.1 Pension Board Members are requested to note the outcomes of the 2017/18 plan.
- 2.2 Pension Board members are requested to note the outcomes of the 2017/18 National Fraud Initiative.
- 2.3 Pension Board members are requested to note the planned audits of the Pension Fund for 2018/19.

### 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. 2017/18 Internal Audit Reviews

- 4.1 We undertook two reviews in accordance with the agreed Audit Plan:
- Pension Administration (Annex A) – Good Assurance
  - Pension Investment (Annex B) – Good Assurance
- 4.2 Both reviews received a '**Good Assurance**' opinion which means that at the time of our review there was a sound system of internal control. *It should be noted that this is the highest level of assurance.*
- 4.3 These opinions were a positive upward movement from the 2016/17 opinions which was assessed as 'Adequate Assurance'. The introduction of TCS and the delay in reporting functionality caused significant delays and difficulties in reconciling and posting Pension Fund financial information. These issues were mirrored across the organisation but did not however, undermine the overall integrity of the system of internal control audited in 2016/17.

### 5. National Fraud Initiative (NFI)

- 5.1 The NFI is the matching of electronically-held data between public and private sector bodies to prevent and detect fraud and error. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.
- 5.2 Responsibility for NFI has passed from the Audit Commission to the Cabinet Office. Data is submitted on an annual basis.
- 5.3 2017 NFI data matching exercise of specifically pensions-related data recently identified overpayments of £33,193 of which at this early stage £19,143 has been so far recovered. There are also a number of cases being reviewed.

## **6. 2018/19 Internal Audit Coverage**

6.1 On 26 March 2018, the ECC Audit, Governance and Standards Committee approved the Internal Audit plan for 2018/19. The plan contains the following activity relating to Pensions:

- KFS Pension Investment
- KF9 Pensions Administration
- FS National Fraud Initiative

6.2 These audits are planned for Q4 2018/19.

6.3 The total charge to the Pensions Fund for this activity will be £22,500.

## **7. Link to Essex Pension Fund Objectives**

7.1 Audit work assists the Fund in achieving a number of its objectives, including:

- to ensure that the Fund is properly managed
- to understand and monitor risk and compliance
- to deliver a high quality, informative and friendly service to all beneficiaries, potential beneficiaries and employers

## **8. Risk Implications**

8.1 Audit work is a means of both identifying and mitigating risk.

## **9. Communication Implications**

9.1 Other than ongoing reporting to the Board and ECC's Audit Committee, there are no communications implications.

## **10. Finance and Resources Implications**

10.1 As highlighted at 6.2 the charge to the Fund in 2018/19 will be £22,500.

## **11. Background Papers**

11.1 None.