

Essex Pension Fund Board	EPB/14/14
Date: 9 July 2014	

Internal Audit Annual Report of Pension Fund Reviews

Report by Peter Tanton - Head of Internal Audit

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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 2013/14 activity in relation to the pension fund and proposals for 2014/15.

2. Recommendations

- 2.1 Pension Board Members are requested to note outcomes of the 2013/14 plan.
- 2.2 Pension Board members are requested to note the outcomes of the main 2012/13 NFI and supplementary NFI exercises.
- 2.3 Pension Board members are requested to note the planned audits of the Pension Fund for 2014/15.

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. 2013/14 Internal Audit Reviews

- 4.1 We undertook two reviews in accordance with the agreed Audit Plan:
- Pension Administration (Annex A) – Full Assurance
 - Pension Investment (Annex B) – Full Assurance
- 4.2 Both reviews received a '**Full 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 our highest level of assurance.

5. National Fraud Initiative (NFI)

- 5.1 The Audit Commission are currently responsible for the biennial NFI where electronic data is matched 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 As part of the overall NFI data matching exercise ECC Pension Payroll data is matched against the Department for Work and Pensions deceased person's data. Results for the last mandatory NFI exercise were reported to the board at the meeting on 10th July 2013.
- 5.4 At the Pension Board meeting on 10th July 2013 it was agreed that data would be provided for a supplementary (non-mandatory) NFI pension payroll exercise. The benefit of this would be earlier identification of deceased pensioners where the fund has not been notified, thereby restricting the value of overpayments (which can often prove problematic to recover the longer the duration). It would also provide an annual assurance to the Board. This supplementary exercise identified 22 cases where we had not previously been made aware of the death. These were all instances of error (not fraud). This has identified **overpayments in respect of deceased pensioners of £7,272.85** (in recovery), **with an annualised pension value of £55,431.66.**

5.5 Data is due to be submitted for the next planned mandatory NFI exercise in October 2014 with any matches being made available for investigation in January 2015.

5.6 It should be noted that in April 2015 the responsibility for the National Fraud Initiative will move from the Audit Commission to the Cabinet Office.

6. 2014/15 Audit Plan

6.1 On 17 March 2014, the Audit Committee approved the Internal Audit plan for 2014/15. The plan contains the following Pension Audits:

- KFS 9 Pension Investment – 25 days
- KFS10 Pensions Administration – 25 days
- CF1 National Fraud Initiative – 5 - 10 days (see note 1 below)

Note 1: The plan details 60 days (for all NFI datasets) - a proportion will be used for the pension payroll 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.

We will also undertake testing at key stages of the implementation of the new Pension System during 21014/15.

6.2 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
- 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 2014/15 will be £22,500.

11. Background Papers

11.1 None.