

Essex Pension Fund – Funding and Investment 19/20

Final Internal Audit Report

Audit Plan Ref: CC5

Audit Opinion:
Good assurance

Date Issued: May 2020

Function: Finance and Technology

Audit Sponsor: Jody Evans, Interim Director, Essex Pension Fund


Distribution List: **Nicole Wood**, Executive Director for Finance and Technology; **Jody Evans**; **Sam Andrews**, Investment Manager; **Sara Maxey**, Employer Manager; **Amanda Crawford**, Compliance Manager; **Kelly Armstrong and Daniel Chessell**, Team Managers; **Chris Pickford**, Pensions Systems Manager; **Cllr. Barker**, Cabinet Member for Customer, Communities, Culture and Corporate and Chair of the Pension Strategy board; **Barry Pryke**, External Audit







1. Executive Summary

Assurance Opinion	No	Limited	Satisfactory	Good
				X

Number of Issues	Critical	Major	Moderate	Low
	-	-	-	-

Audit Objective	Key Messages	Direction of Travel
<p>This audit reviewed whether there are adequately designed controls that are operating consistently that ensure prescribed processes are followed in relation to Essex Pension Fund's funding and investment to ensure effective decision making, security of funds' assets and minimisation of the risk of error or fraud.</p>	<p>The assurance opinion remains at "good" meaning there continues to be sound systems of internal control in place. No recommendations have been made in this report.</p> <p>There remain good processes for the Fund to receive expert independent investment advice. Evidence was available to support that Investments were made in approved classes by fund managers and the income from investments is monitored and received and recorded on a timely basis. All transactions sampled relating to the movement of funds were appropriately authorised.</p>	<p>The assurance opinion is the same as last year</p> 
<p>Scope of the Review and Limitations</p> <p>The audit's objective was to evaluate the arrangements in place to manage to reasonable levels, the potentially significant risk events and consequences related to funding, investments, and the fund's overarching governance and decision-making processes.</p> <p>This review did not assess any of the arrangements or activity of the ACCESS pool or the ACCESS Support Unit.</p> <p>The review's scope was EPF's investments and funding activity in the previous 12 months.</p>	<p>There remains good quarterly reporting of a balanced scorecard of the Fund's key performance indicators and risk register to the Strategy Board. Board and Committee members have continued to receive ongoing training.</p> <p>Satisfactory controls were confirmed to be operating for receipt and recording of monthly contributions from member bodies, admitting new members and bodies and issuing annual statements.</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. Recommendations will normally only be of Low risk rating. Any Moderate recommendations 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. <i>Remedial action is required immediately</i>
	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. <i>Remedial action is required urgently</i>
Service	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. <i>Prompt specific action should be taken</i>
	Low	 Green	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. <i>Remedial action is suggested</i>

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&CF will carry out additional work directed towards identification of consequent fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, 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 TeamCentral on a timely basis.

Internal Audit 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.

Internal Audit use the updates provided by Recommendation Owners on TeamCentral for this purpose, so it is essential that progress is recorded regularly and accurately and when a recommendation becomes overdue that a revised date to indicate when the recommendation 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 Recommendations are implemented within the agreed timescales as recorded in the Action Plan in the Final Report.

Head of Assurance	Paula Clowes
Audit Manager	Greg Mortimer
Auditor	Murad Khan
Fieldwork Completed	April 2020
Discussion Draft Report Issued	18 May 2020
Management Comments Requested by	08 June 2020
Management Comments Received	21 May 2020
Final Report	26 May 2020