


<b>Essex Pension Fund Strategy Board</b>	<b>PSB 07</b>	
<b>Date: 06 July 2022</b>		

## **Internal Audit Annual Report 2021/22**

Report by Paula Clowes - Head of Assurance

Enquiries to Sarah Harris - Strategic Audit Manager

**This Report is for noting**

### **Executive Summary**

#### **Report Type: Governance**

The Fund has achieved 'Good Assurance' on both ECC Internal Audits conducted for 2021/22. It should also be noted that no recommendations were made on either audit for the fourth consecutive year.

In addition, the 2022/23 Audit Planning Report was presented to the 21 March 2022 Audit, Governance and Standards Committee meeting.

## **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 2021/22 activity in relation to the Pension Fund and proposals for 2022/23.

## **2. Recommendations**

- 2.1 Pension Board Members are requested to note:

- the outcomes of the 2021/22 internal audit reports;
- the outcome of the 2021/22 National Fraud Initiative; and
- the planned audits of the Pension Fund for 2022/23.

### 3. Background

- 3.1 ECC is the Administering Authority for the Pension Fund and as such the Pensions Administration and Pension Funding and Investments represent major systems in terms of financial control and reporting of the Council's activities.

### 4. 2021/22 Internal Audit Reviews

- 4.1 We undertook two reviews in accordance with the agreed Internal Audit and Counter Fraud Plan:
- Essex Pension Fund - Administration (Appendix A) – Good Assurance; and
  - Essex Pension Fund - Funding and Investments (Appendix 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 unchanged from the 2017/18 to 2021/22 opinions which were also assessed as 'Good Assurance'. For the fourth consecutive year, no recommendations were identified.

### 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 lies with the Cabinet Office. Data continues to be submitted on a monthly basis. The NFI data matching exercise of specifically pensions-related data recently identified overpayments of £40,956.82 during 2021/22 of which at this stage £24,570.68 has so far been recovered. In addition, there are several cases still under review.

## **6. 2022/23 Internal Audit Coverage**

6.1 On 21 March 2022, the ECC Audit, Governance and Standards Committee approved the Internal Audit and Counter Fraud Plan for 2022/23. The Plan contains the following activity relating to Pensions:

- CS1 and CS2 - Essex Pension Fund – Administration and Funding & Investments; and
- National Fraud Initiative.

6.2 A meeting between the Fund and Internal Audit is due to take place to discuss scope and appropriate timings for the two Audit Reviews above.

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:

- ensuring the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
- act with integrity and be accountable to our stakeholders;
- understand and monitor risk and compliance; and
- provide a high-quality service whilst maintaining value for money.

## **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 Governance and Standards Committee, there are no communications implications.

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

- 10.1 As highlighted at 6.3 the charge to the Fund in 2022/23 will be £22,500 (£22,500: 2021/22).

## **11. Background Papers**

- 11.1 Essex Pension Fund – Administration Final Internal Audit Report 2021/22 (Appendix A).
- 11.2 Essex Pension Fund – Funding and Investments Final Internal Audit Report 2021/22 (Appendix B).
- 11.3 Internal Audit and Counter Fraud Plan for 2022/23, Agenda item 05 AGS/06/22, 21 March 2022, ECC Audit, Governance and Standards Committee.