

# Essex Pension Fund – Funding and Investment Final Internal Audit Report

Audit Plan Ref: CC5 2021

**Audit Opinion:**  
Good Assurance

**Date Issued:** 22 April 2021

**Function:** Finance and Technology

**Audit Sponsor:** Jody Evans, 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
				✓

Number of Issues	Critical	Major	Moderate	Low

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><b>Scope of the Review and Limitations</b></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 2020 and also received Good Assurance.</p>	<p>Fund Officers have adapted to new ways of working in light of the Covid-19 impact, with the Pension Team carrying out the majority of their roles from home. The effect of this change was considered whilst assessing the control environment and testing of controls to ascertain if this had any negative impact on deliverables against the Business Plan and Scorecard measures. No issues were identified.</p> <p>The Fund supported Employers by not enforcing the Charging Policy on late submission of annual returns and still achieved a 99% (95% in 2018/19) submission rate. The Fund's Risk Register continued to be monitored and updated on a regular basis and considered the impact of the Covid-19 pandemic. Both the Pension Advisory Board and the Essex Pension Fund Strategy Board received an update on the current Business Plan, Risk Register and Scorecard at each meeting. Evidence was available to support that investments were made in approved classes by FundMmanagers 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>A review of the Fund Manager Reconciliation Monitoring Spreadsheet, which lists all fund accounts and the due dates for various control activities, identified that interim monthly target dates had not always been met. However, no action has been raised on the basis that it could be evidenced that focus had remained on ensuring final deadlines for loading the reconciliation journals on to the General Ledger were met. An appraisal of the Board/Committee Members' training scorecard also identified some minor gaps in training credits. However, evidence was provided to demonstrate that this risk was being mitigated and hence it was not deemed necessary to raise an action for follow-up.</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. 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. <b>Remedial action is required immediately</b>
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. <b>Remedial action is required urgently</b>
	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. <b>Prompt specific action should be taken</b>
	Low	 Green	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. <b>Remedial action is suggested</b>

### 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 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
Auditor	Murad Khan
Fieldwork Completed	April 2021
Draft Report Issued	21 April 2021
Management Comments Requested by	12 May 2021
Management Comments Received	21 April 2021
Final Report	22 April 2021