

<p>Essex Pension Fund Strategy Board</p>	<p>EPB/15/16</p>
<p>Date: 13 July 2016</p>	

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 2015/16 activity in relation to the pension fund and proposals for 2016/17.

2. Recommendations

- 2.1 Pension Board Members are requested to note the outcomes of the 2015/16 plan.
- 2.2 Pension Board members are requested to note the outcomes of the 2015/16 National Fraud Initiative.
- 2.3 Pension Board members are requested to note the planned audits of the Pension Fund for 2016/17.

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. 2015/16 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 our highest level of assurance.**

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 for the next NFI is due to be submitted in October 2016 with matches due to be released in January 2017.

5.3 A supplementary NFI data matching exercise of specifically pensions-related data in December 2015 identified further overpayments of £5,012 with an annual equivalent of £16,162. There are also a number of cases being reviewed.

6. 2016/17 Internal Audit Coverage

6.1 On 21 March 2016, the ECC Audit Committee approved the Internal Audit plan for 2016/17. The plan contains the following activity relating to Pensions:

- KFS 08 Pension Investment
- KFS 09 Pensions Administration
- CF03 National Fraud Initiative

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

- 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 2016/17 will be £22,500.

11. Background Papers

11.1 None.