

Essex Pension Fund Strategy Board	PSB 07
Date: 23 September 2020	

Internal Audit Annual Report 2019/20

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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 2019/20 activity in relation to the pension fund and proposals for 2020/21.

2. Recommendations

- 2.1 Pension Board Members are requested to note the outcomes of the 2019/20 internal audit reports.
- 2.2 Pension Board members are requested to note the outcomes of the 2019/20 National Fraud Initiative.
- 2.3 Pension Board members are requested to note the planned audits of the Pension Fund for 2020/21.

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. 2019/20 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 and 2018/19 opinions which were also assessed as 'Good Assurance'. For the second 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 is now submitted on a monthly basis. The NFI data matching exercise of specifically pensions-related data recently identified overpayments of £14,452.37 of which at this stage £8,531.98 has been so far recovered. In addition, there are several cases still under review.

6. 2020/21 Internal Audit Coverage

6.1 On 6 July 2020, the ECC Audit, Governance and Standards Committee approved the Internal Audit and Counter Fraud Plan for 2020/21. The Plan contains the following activity relating to Pensions:

- FT5 - Essex Pension Fund; and
- FS - National Fraud Initiative.

6.2 These audits are planned for Q4 2020/21.

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 2020/21 will be £22,500 (£22,500: 2019/20).

11. Background Papers

- 11.1 Internal Audit and Counter Fraud Plan for 2020/21, Agenda item 8 AGS/71/20, 6 July 2020, ECC Audit, Governance and Standards Committee
- 11.2 Essex Pension Fund – Administration Final Internal Audit Report 2019/20 (Appendix A).
- 11.3 Essex Pension Fund – Funding and Investments Final Internal Audit Report 2019/20 (Appendix B).