

Essex Pension Fund Strategy Board	EPB/12/15
Date: 8 July 2015	

Internal Audit Annual Report of Pension Fund Reviews

Report by Peter Tanton - Head of Internal Audit

Enquiries to Peter Tanton 03330138445

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 2014/15 activity in relation to the pension fund and proposals for 2015/16.

2. Recommendations

- 2.1 Pension Board Members are requested to note the outcomes of the 2014/15 plan.
- 2.2 Pension Board members are requested to note the outcomes of the 2014/15 National Fraud Initiative.
- 2.3 Pension Board members are requested to note the planned audits of the Pension Fund for 2015/16.

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.
- 3.2 In 2014/2015 a new pension system (UPM) was successfully implemented, going live on 1 January 2015. Due to the in-year implementation the Pension Administration review encompassed both the new (UPM) and old (AXIS) systems.

4. 2014/15 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 Audit Commission are currently responsible for the biennial NFI where electronic data is matched 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 As part of the overall NFI data matching exercise ECC Pension Payroll data is matched against the Department for Work and Pensions deceased persons' data. This has identified **overpayments in respect of deceased pensioners of £29,116, with an annualised pension value of £103,590**; recovery is ongoing. There could be further outcomes as some matches are still under investigation.

6. 2015/16 Internal Audit Coverage

6.1. On 16 March 2015, the Audit Committee approved the Internal Audit plan for 2015/16. The plan contains the following Pension Audits:

- KFS 9 Pension Investment – 25 days
- KFS10 Pensions Administration – 25 days
- CF1 National Fraud Initiative – 5 - 10 days (see note 1 below)

Note 1: The plan details 60 days (for all NFI datasets) - a proportion will be used for the pension payroll data submission and investigation of matches. We will also be undertaking a supplementary NFI matching exercise for pension data only in December 2015, which ensures the pension fund is subject to an annual matching exercise. Indicatively this activity, in total, is usually between 5 and 10 days but this is dependent on the nature and volume of matches returned and further investigatory work.

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
- 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 2015/16 will be £22,500.

11. Background Papers

11.1 None.