

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF THE PENSION FUND AUDIT FOR 2018-19

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REVIEW OF PENSION FUND FOR 2018-19

INTRODUCTION

1. This report sets out the results of our systems based audit of the Pension Fund audit. The audit was carried out in quarter two as part of the programmed work specified in the 2018/19 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 11th July 2018.
4. The Council is party to a joint venture with a not-for-profit registered provider for property stock. In 2057, the joint venture agreement comes to its natural end. Where the pension fund is in deficit the Council can 'gift' the value of the deficit, or a value up to the deficit value to meet any shortfall in the pension fund using this property stock.
5. The Pension Payments audit will be issued in a separate report.

AUDIT SCOPE

6. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

7. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

8. Controls noted to be in place and working well, based on the sample testing conducted, included:

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- The actuary for the pension fund, was recently tendered and a 6 year contract awarded to Company 'A' with an approximate total value £500k, including an option to extend for a further 3 years. The pension fund was last valued in 2016, in line with LGPS Regulations;
- There were regular reports to the Pensions Investment Sub-committee;
- The strategy for the pension fund was discussed within the Pensions Investment Sub-committee, advised by external parties and implemented for the long and short term;
- Risks for the pension fund were included on the risk register, RAG rated and assigned risk owners, and
- Controls were in place to mitigate identified risks as per the risk register.

However, we would like to bring to management attention the following issue:

- Quarterly Pension Fund Revenue Account summaries were not being evidenced as reviewed by a second officer on completion.

SIGNIFICANT FINDINGS (PRIORITY 1)

9 There were no priority one recommendations raised as part of this audit.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

10 The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

11 Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

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DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1.	<p><u>Pension Fund Revenue Account</u></p> <p>The Capital Accountant, on a quarterly basis, produces a management summary of the Pension Fund revenue account/cashflow position. It represents good practice by providing an overview of the Local Authority's Pension Fund.</p> <p>Audit obtained the quarter 1 pension fund revenue account for the 2018-19 financial year. Examination of the document and discussion with the Principal Accountant established that there was no review/check of the quarterly management summary being undertaken by a second member of staff.</p>	<p>Where the pension fund revenue account is not produced by one officer and reviewed by a second officer, there is a risk that any discrepancies are not identified and managed in a timely manner.</p>	<p>The quarterly pension fund revenue account should be produced by one officer and be evidenced and reviewed by a second.</p> <p>(Priority 2)</p>

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APPENDIX B

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1.	The quarterly pension fund revenue account should be produced by one officer and reviewed by a second.		Agreed	Principal Accountant and Capital Accountant	From January 2019 (for Q3 revenue account)

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level**Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.