

Report to: **Pension Board**

Date: **3 November 2016**

By: **Interim Chief Finance Officer**

Title of report: **Pension Fund Governance and Investments - Internal Audit Report**

Purpose of report: **This report provides the Board with the Pension Fund Governance and investments audit.**

RECOMMENDATION

The Board is requested to note the report.

1. Background

1.1 The review of Pension Fund Governance and Investments has been completed as part of the agreed annual audit plan for 2016/17. The audit report aims to provide assurance on the overall effectiveness of the system's controls and identifies areas of concern or weakness where improvements can be made.

2. Supporting Information

2.1 The East Sussex County Council has a statutory responsibility to administer and manage the East Sussex Pension Fund ("ESPF") on behalf of all participating employers in East Sussex. The scheme provides retirement benefits for Council employees, employees of Brighton & Hove City Council, the five boroughs and district councils in East Sussex, together with various other scheduled and admitted bodies.

2.2 Responsibility for the overall direction of the Fund's investment policy lies with the Pension Committee. The Pension Board is there to assist the Scheme Manager in securing compliance and providing assurance in the governance of the scheme administration. Day to day management of the investments has been delegated to external fund managers, who report to the Pension Committee quarterly on their activities.

2.3 Based on the work completed as part of this review, the Internal Audit has assigned a **Full Assurance opinion** on the combined investments and governance audit, and that controls are operating effectively.

2.4 This is the second time that the internal audit has combined the audits for investments/governance and again able to give full assurance that controls are operating effectively. The audit identified three minor issues all of which are low level recommendations, which have been agreed with responsible officers prior to finalising this report, as follow-

- i. Communications with stakeholders - there is an annual statutory deadline (31 August) by when 'Annual Benefit Statements' should be sent to members and for the second year running, auditors noted that the statutory deadline (31 August) to submit statements to active ESPF Members was missed.
- ii. Pension Administration Strategy - Whilst this is not a statutory requirement, it is a good practice to have one. Management responded that this document will be completed and published as part of the 2016 valuation, moving the completion date to no later than 31st March 2017.

- iii. Customer Satisfaction Survey - Management agreed to consider the publication of a customer survey, both for employees and employers, once the new regulations were embedded and the administration restructure was complete.

3. Conclusion and recommendations

3.1 The report has been written on an exception basis, whereby only control weaknesses have been reported, and the audit has been conducted in conformance with Public Sector Internal Audit Standards and internal quality assurance systems.

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Background Documents:

None