

Report to: **Pension Board**

Date: **8 February 2018**

By: **Chief Finance Officer**

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

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

---

**RECOMMENDATION -**  
**The Board is recommended 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 2017/18. 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 **Reasonable Assurance** opinion in respect of Pension Governance and Investments. This opinion means that most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives. The attached 'Appendix 1' provides summary of the findings, potential risk implication, priority, and agreed action.

2.4 This is a combined audit for investments/governance and internal audit is able to give reasonable assurance that controls are operating effectively. The audit identified some areas for improvements as follows:

- a. There are ineffectual communication and collaborative working practices in place between key teams.
- b. For the third year in a row there have been delays in distributing annual benefit statements to scheme members. These delays represent a breach which was not reported to the pension regulator in a timely manner as outlined in the breaches policy.
- c. The Fund communication policy is scheduled need to be reviewed.

**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.

**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officer: Ola Owolabi, Head of Pensions  
Tel. No. 01273 482017  
Email: [Ola.Owolabi@eastsussex.gov.uk](mailto:Ola.Owolabi@eastsussex.gov.uk)

Local Member(s): All