

Report to: Pension Committee

Date of meeting: 22 June 2021

By: Chief Internal Auditor

Title: Internal Audit Reports and the Internal Audit Strategy for Pensions 2021/22

Purpose: This report advises the Committee of the outcomes of the attached audits and requests that the Committee approve the draft Internal Audit Strategy for Pensions.

RECOMMENDATIONS

The Committee is recommended to:

1. note the following internal audit reports:
 - Pension Fund Governance 2020/21 (Appendix 1);
 - Pension Fund Investments and External Control Assurance 2020/21 (Appendix 2);
 - Pension Administration - Information Governance 2020/21 (Appendix 3);
 - Internal Audit Briefing Document - Altair Data Transfer (Appendix 4); and
 2. approve the 2021/22 Internal Audit Strategy for Pensions (Appendix 5).
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1. Background

1.1 The reviews of:

- Pension Fund Governance 2020/21 (Appendix 1);
- Pension Fund Investments and External Control Assurance 2020/21 (Appendix 2); and
- Pension Administration – Information Governance (Appendix 3)

were completed as part of the Internal Audit Strategy for Pensions 2020/21 and provide assurance on the overall effectiveness of their respective systems' controls.

1.2 As a result of our work on Pension Fund Governance 2020/21, we were able to provide an opinion of **Reasonable Assurance** over the controls in place. The previous audit, which combined governance and investments, also gave an opinion of Reasonable Assurance. Whilst the opinion is positive, the findings reflect the limitations of a single fund to be able to influence the governance arrangements of the ACCESS Pool. The East Sussex Pension Fund (ESPF) is working with the ACCESS Joint Committee to resolve and obtain assurance in this area.

1.3 Following our work on Pension Fund Investments and External Control Assurance 2020/21, we were able to provide an opinion of **Substantial Assurance** over the controls in place. This report reflects the improvements made since last year's combined audit (see item 1.2), in which we gave an opinion of Reasonable Assurance.

1.4 Our audit of Pension Administration – Information Governance 2020/21, was the first time we reviewed this area and we were able to provide an opinion of **Reasonable Assurance** over the controls in place.

1.5 Where areas of improvement were identified in each of these audits, robust management actions were agreed, together with timescales for their implementation.

1.6 The last of the audits for 2020/21 is Pension Fund Administration - People, Processes and Systems. Our draft report is currently being discussed with management and we hope to be able to issue a final report imminently. Members may recall that this received an audit opinion of minimal assurance last year. We are pleased to report that there has been significant improvement in controls, and we have been able to give an opinion of **Reasonable Assurance**.

1.7 In addition to the planned audits, we reviewed the proposals for the transfer of data to, and testing of, the new instance of the pension administration software, Altair, established as part of the transfer of administration from Orbis to ESCC Finance. Following our work, we provided the project's Change Advisory Board (CAB) with a paper detailing our findings, so that they could be considered as part of the CAB's decision to go live with the new system. We gave no audit opinion, and there were no formal actions arising from this work. This paper is attached as **Appendix 4**.

1.8 The Council's Internal Audit Strategy for Pensions 2021/22 (**Appendix 5**) sets out the approach Internal Audit takes when planning its assurance on the effectiveness of controls over the ESPF. It sets out the risks inherent in administering a large and complex scheme so that audit resources may be focussed on areas where these risks are highest. The new Strategy reflects the transfer of administrative function, as outlined above.

1.9 Input has been sought from officers responsible for running the Scheme and from the Chairs of both the Pension Board and the Pension Committee and their contributions have been fed into the draft Strategy.

2. Conclusions and Reasons for Recommendation

2.1 The Pension Committee is:

- recommended to note the Internal Audit reports; and
- requested to approve the Internal Audit Strategy for Pensions 2021/22.

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BACKGROUND DOCUMENTS:

None