



# Internal Audit Report

## Pension Fund Compliance with Regulatory Requirements 2021/22

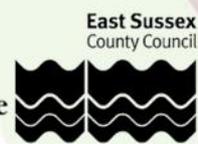
### Final

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Prepared for: East Sussex County Council

Date: January 2022



## Internal Audit Report – Pension Fund Compliance with Regulatory Requirements

### Report Distribution List

#### **Draft Report Circulation:**

Sian Kunert – Head of Pensions

Dave Kellond – Compliance and Local Improvement Partner

#### **Final Report Circulation:**

As per draft report, with the inclusion of:

Phil Hall – Chief Operating Officer

Ian Gutsell – Chief Finance Officer

Paul Punter – Head of Pensions Administration

Russell Wood – Pensions Investment Manager

Pension Board

Pension Committee

This audit report is written for the officers named in the distribution list. If you would like to share it with anyone else, please consult the Chief Internal Auditor.

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# Internal Audit Report – Pension Fund Compliance with Regulatory Requirements

## 1. Introduction

- 1.1. The Council (East Sussex County Council) is the designated statutory administering authority of the East Sussex Pension Fund. The Council has statutory responsibility to administer and manage the fund in accordance with rules of the Local Government Pension Scheme (LGPS), which are set out in the following regulations:
  - The Local Government Pension Scheme Regulations 2013;
  - The Local Government Pension Scheme Transitional Provisions, Savings and Amendment Regulations 2014; and
  - The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
- 1.2. The governance of the Fund is the responsibility of the East Sussex Pension Committee supported by the Pension Board, the ESCC Chief Finance Officer and the Pension Fund officer team. The day-to-day administration of the Fund is provided by East Sussex County Council.
- 1.3. This review was part of the agreed Internal Audit Plan for 2021/22.
- 1.4. This report has been issued on an exception basis, whereby only weaknesses in the control environment have been highlighted within the main body of the report.

## 2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
  - scheme governance arrangements meet regulatory requirements;
  - investment management arrangements meet regulatory requirements; and
  - pension administration arrangements meet regulatory requirements.
- 2.2. This audit looked at the controls employed by management designed to ensure that the Fund complies with statutory and regulatory requirements.

### 3. Audit Opinion

- 3.1. **Substantial Assurance is provided in respect of Pension Fund Compliance with Regulatory Requirements.** This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

*Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.*

### 4. Basis of Opinion

- 4.1. We can provide an opinion of Substantial Assurance over the controls in place for East Sussex Pension Fund (ESPF) Compliance with Regulatory Requirements. There are no findings in this report.
- 4.2. There is evidence that the management team have developed robust scheme governance arrangements, which comply with regulatory requirements, and they actively review these arrangements.
- 4.3. A governance structure, which includes a Pension Committee, and Pension Board, is in place. There is evidence of their regular meetings, with sufficiently detailed record keeping of meetings, including the recording of decisions.
- 4.4. There are governance tools in place, with appropriate Strategies, Business Plans, a Scheme of Delegation evident, in accordance with statutory requirements.
- 4.5. The Pension Fund Investment activities are managed by experienced and qualified personnel, who demonstrated understanding and application of legislative requirements for the Funds cash assets, its investments and overall financial management.
- 4.6. Actions from the previous audit have been addressed, and whilst not all the policies and documentation have been fully updated in accordance with the policy, plans are in place to address this.

## Internal Audit Report – Pension Fund Compliance with Regulatory Requirements

### 5. Action Summary

5.1. The table below summarises the actions that have been agreed together with the risk:

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.		
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.		
Low	This represents good practice; implementation is not fundamental to internal control.		
	<b>Total number of agreed actions</b>		

5.2. Full details of the audit findings and agreed actions are contained in the detailed findings section below.

5.3. As part of our quarterly progress reports to Audit Committee we track, and report progress made in implementing all high priority actions agreed. Medium and low priority actions will be monitored and re-assessed by Internal Audit at the next audit review or through random sample checks.

### 6. Acknowledgement

6.1. We would like to thank all staff that provided assistance during the course of this audit.

# Appendix A

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
<b>Minimal Assurance</b>	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

## Management Responsibilities

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.