

## Pension Fund Committee

16 June 2022



## Internal Audit Plan 2021/22 - Progress Report to 31 March 2022

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### Report of Tracy Henderson, Chief Internal Auditor and Corporate Fraud Manager

#### Electoral division(s) affected:

Countywide.

#### Purpose of the Report

- 1 To inform Members of the work that has been carried out by Internal Audit during the period 1 April 2021 to 31 March 2022 as part of the 2021/22 Internal Audit Plan.

#### Executive Summary

- 2 The report provides Members with the progress that has been made in achieving the Pension Fund Internal Audit Plan for 2021/22 up to 31 March 2022 and aims to:
  - (a) Provide a high level of assurance, or otherwise, on internal control systems operated in the areas that have been subject to audit;
  - (b) Advise on any significant issues where controls need to improve in order to effectively manage risks;
  - (c) Advising of any other types of audit work carried out, such as consultancy reviews where an assurance opinion on the control environment may not be applicable;
  - (d) Advise of any unplanned work carried out or due to be carried out and any changes to the audit process.

#### Recommendation

- 3 Members are asked to note the work undertaken by Internal Audit during the period ending 31 March 2022.

## Background

- 4 As an independent consultancy service, the Internal Audit Team strives to continue to add value and improve the organisation's operations as well as providing objective assurance to service managers and the Pension Fund Committee.
- 5 The Annual Internal Audit Plan 2021/22, covering the period 1 April 2021 to 31 March 2022, was approved by the Pension Fund Committee on 11 March 2021.

### Progress against 2021/22 planned work:

- 6 A summary of the approved audit plan, with the status of each audit, is shown below:

Audit Title	Audit Type	Status	Opinion
<b>Audits brought forward from 2020/21</b>			
Additional Voluntary Contributions	Assurance	Final Report	Substantial
Admission Bodies / Funding Risks	Assurance	In Progress	
<b>2021/22 audits</b>			
Pension System ICT Controls	Assurance	Preparation and Planning	
Investments	Assurance	Final	Substantial
Transfers In/Out	Assurance	Final	Substantial
Debt Recovery	Assurance	Preparation and Planning	
Compliance with Breach Policy	Assurance	Deferred to 2022/23	
National Fraud Initiative – Data matching to identify potential error/fraud	Counter Fraud	Complete for 2021/22	
Management time and ad hoc advice & guidance	Advice/Consultancy	Complete for 2021/22	

- 7 There were nine planned audits for completion in 2021/22. Of the seven assurance reviews, three final reports have been issued, two of which were issued in the last quarter, with the detail of their scopes shown in the table over the page. Of the other four assurance reviews, as at the end of March 2022, one was in progress, two were in the preparation and planning stage and one review had been deferred to 2022/23.

Audit Area	Brief Scope	Assurance Opinion
Investments	Assurance review of the arrangements in place to mitigate against the risk of assets not being sufficient to meet the liabilities of the pension fund as a result of investments performing poorly, making losses or not providing the required returns.	Substantial
Transfers In/Out	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>- Non-compliance with LGPS Pension Regulator guidelines;</li> <li>- Transfer value calculations are inaccurate or are not carried out promptly.</li> </ul>	Substantial

### Background papers

- Specific Internal Audit reports issued and working papers.

### Other useful documents

- None

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## **Appendix 1: Implications**

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### **Legal Implications**

The Accounts and Audit Regulation 2015 (Part 2, Section 5) states a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance.

Furthermore, Internal Audit assists the Corporate Director of Resources in fulfilling their duties under Section 151 of the Local Government Act 1972 which requires each Local Authority to make arrangements for the proper administration of their financial affairs.

### **Finance**

There are no direct financial implications associated with this report.

Internal Audit work has clear and direct effects, through recommendations made, to assist in improving value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

### **Consultation**

Pensions Manager, Finance Manager and Corporate Director, Resources.

### **Equality and Diversity / Public Sector Equality Duty**

None.

### **Climate Change**

There are no direct implications on climate change as a result of this report, however the Internal Audit Service ensures that it considers climate change and sustainability in the recommendations that are made.

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

None.

**Accommodation**

None.

**Risk**

The key risk is that actions agreed in audit reports to improve the control environment and assist the Pension Fund in achieving its objectives are not implemented. To mitigate this risk, a defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis. Such assurance is reflected in reports to the Pension Fund Committee.

**Procurement**

None.