

**Open Report on behalf of Executive Director of Finance and Public Protection**

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>25 July 2017</b>
Subject:	<b>Internal Audit of the Pension Fund</b>

**Summary:**

This report brings to the Board information on the internal audits that have been undertaken over the recent years on the Lincolnshire Pension Fund and on the administration service provided by WYPF.

**Recommendation(s):**

That the Board note the report.

**Background**

1. The Pension Fund is regularly audited by a number of different parties; by Lincolnshire County Council's (LCC) internal audit team, by KPMG as the Council's external auditors, and by City of Bradford Metropolitan Council's (CBMC) internal auditors on the shared Pension Administration service.
2. The Pension Board received a presentation last year from the Fund's external auditor, KPMG, and will review the Governance Statement for the 2016/17 audit at a future meeting, once that audit has been completed. The internal audit team at LCC have performed two audits of areas of the Pension Fund over the last two years, and the details are shown in the paragraphs below.
3. In 2015 an audit was carried out on the transfer of the Pensions Administration service provision from Mouchel to West Yorkshire Pension Fund. The full audit report can be found at appendix A. The executive summary in the report stated that the procedures and processes evident throughout the transfer to WYPF provided assurance that the process was handled effectively and that there was a consistent working basis for the future delivery of Pensions Administration.
4. The assurance opinion given was **Effective**. The definition for this level of assurance is set out below:

### **Effective**

The assessment on the activity gives a high level of confidence on service delivery arrangements, management of risks and the operation of controls and/or performance. The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate and are operating effectively.

5. More recently, a key control testing audit was carried out on the Council's finance, payroll and pensions systems and processes. The area that was audited in the Pension Fund was regarding the Fund's monthly reconciliation process for its investments. The final report has yet to be published, however the element that tested the Pension Fund systems has been finalised and an executive summary produced, which is shown below:

### **Pension Fund – High Assurance**

Full and detailed reconciliations of the Pension Fund are completed monthly. A check list is completed each month by the reconciliation preparer and the Fund Manager or Investment Manager signs off after review. For the samples we tested we found that the calculations on the reconciliation totals were all correct and all the investment records agreed to the underlying records apart from one relating to the internal portfolio. After investigation we found that this was where a figure was used from a custodian document where the figure had been transposed in error. This had no effect on the overall reconciliation but we would recommend that in future, any figures taken from custodian figures are checked against the income receivable spreadsheet to ensure that they agree.

6. As can be seen above, the assurance given was **High**, this is the same as the Effective assurance that was given previously, with the same definition, just a change in language used.
7. On the Pensions Administration side, a number of audits have been completed by CBMC, and a summary list with outcomes is attached at appendix B. The areas covered by the auditors are shown below:
  - Annual Benefit Statements
  - LGPS contributions
  - Transfers In
  - Review of WYPF accounts
  - Purchase of additional pension
  - New pensions and lump sums – death benefits
8. No material issues were found, with a small number of recommendations made.

### **Conclusion**

9. The Pension Fund is regularly audited by both external and internal audit, to ensure that processes and controls are in place to manage both the investments and the pensions administration effectively. The reports

highlighted in this paper should provide assurance to the Pension Board that the Fund is regularly monitored to ensure that it is well managed in all aspects.

## **Consultation**

### **a) Have Risks and Impact Analysis been carried out?**

Yes

### **b) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

## **Appendices**

These are listed below and attached at the back of the report	
Appendix A	LCC Internal Audit – Final Report – Transfer of Pensions Admin
Appendix B	WYPF Internal Audits completed during 2016/17

## **Background Papers**

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