

**CAMBRIDGESHIREPENSION FUND**



**Pension Committee**

**Date:** 29<sup>th</sup> June 2017

**Report by:** LGSS Chief Internal Auditor

<b>Subject:</b>	Internal Audit Report 2016-17
<b>Purpose of the Report</b>	To present the findings of Internal Audit work during 2016-17
<b>Recommendations</b>	The Pension Committee note the Internal Audit work during 2016-17
<b>Enquiries to:</b>	Stephen Mangan, Audit and Risk Manager, LGSS Internal Audit Tel: 01604 365921 Email: <a href="mailto:SMangan@northamptonshire.gov.uk">SMangan@northamptonshire.gov.uk</a>

**1. Background**

- 1.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 The work of Internal Audit complements and supports the work of external auditors in forming their opinion on the financial accounts. Internal audit work is coordinated with the external auditors and they place reliance on the work of internal audit to reduce the level of testing they undertake themselves. This reduces overall costs by avoiding unnecessary duplication of effort and supports delivery of an efficient and effective service.

**2. Findings**

- 2.1 During 2016-17, Internal Audit work focused on two areas:

- Altair Project

As part of the project, Internal Audit provided support and advice to the Project Board including assurance on the data migration process.

- The annual audit of the administration of the Cambridgeshire Pension Fund

The audit assessed the adequacy of design and implementation of controls for the administration of the pension fund. Based on the completion of our fieldwork and the testing carried out, we gave **substantial** assurance for the controls in place. The full report is included as Appendix A.

### 3 Relevant Pension Fund Objectives

- 3.1 The audit work undertaken was designed to support the Pension Service in achieving its objectives through the effective management of risk. The work therefore supports all of the objectives of the Pension Service:

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. <i>Objective 3</i>
Continually monitor and measure clearly articulated objectives through business planning. <i>Objective 4</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund. <i>Objective 6</i>
Ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer. <i>Objective 7</i>
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. <i>Objective 8</i>
Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer. <i>Objective 9</i>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>
Maintain accurate records and ensure data is protected and used for authorised purposes only. <i>Objective 11</i>
Promote the Scheme as a valuable benefit. <i>Objective 12</i>
Deliver consistent plain English communications to Stakeholders. <i>Objective 13</i>
Provide Scheme members with up to date information about the Scheme in order that they can make informed decisions about their benefits. <i>Objective 14</i>
Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund. <i>Objective 15</i>
Ensure cash flows in to and out of the Fund are timely and of the correct amount. <i>Objective 16</i>

Ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment. <i>Objective 17</i>
Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy. <i>Objective 18</i>
Maximise investment returns over the long term within agreed risk tolerances. <i>Objective 19</i>
Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required. <i>Objective 20</i>

#### 4. Finance & Resources Implications

4.1 Provision was made within the LGSS Audit Plan to undertake this work.

#### 5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
The audit work may identify significant weaknesses with potential for reputational damage to the Pension Service.	A process is in place for timely and effective response to the findings of internal and external auditors.	Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
Unmitigated risks to the objectives of the Pension Service are not identified and addressed. The legal obligation to ensure internal audit is undertaken would not be met.	Red

#### 6. Communication Implications

<b>Direct Communications</b>	The work of auditors is transparent and reported to the Pension Committee.
<b>Website</b>	The report will also be published on internet.

#### 7. Legal Implications

7.1 The requirement for an Internal Audit function derives from section 151 of the Local Government Act 1972. All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2003 in England (Appendix 41) [4] should make provision for Internal Audit in accordance with the Code.

#### 8 Consultation with Key Advisers

8.1 Consultation with the Funds advisers was not required for this report.

#### 9. Alternative Options Considered

9.1 Not applicable

## 10. Background Papers

10.1 Not applicable

## 11. Appendices

11.1 Appendix A – Internal Audit Report: Administration of the Cambridgeshire Pension Fund 2016-17

<b>Checklist of Key Approvals</b>	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood –15 June 2017
Has this report been cleared by Head of Pensions?	Mark Whitby – 2 June 2017
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford –15 June 2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 9 June 2017