

Draft Internal Audit Report
Confidential

Pensions Governance

January 2017

Executive Summary

Audit Opinion:

Assurance Rating	Opinion
Level 5	The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary
Level 4	The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary
Level 3	The systems of internal control are satisfactory and reasonable assurance can be provided. However there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan
Level 2	The systems of internal controls are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure
Level 1	The systems of internal controls are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee

Assurance Summary:

Assessment	Key Control Objectives
Excellent	Ensure that the Pension Board has the right balance of skills, experience and representation.
Excellent	Ensure that information about the Pension Board is accessible and up-to-date.
Excellent	Ensure that risks and the control framework are assessed, recorded and regularly revised.
Excellent	Ensure that internal dispute resolution procedures and processes operate effectively and timely.
Excellent	Ensure that whistleblowing (report of breach of law) procedures and processes operate effectively and timely.
Good	Ensure that Pension Board Members are conversant with Pension Scheme legislation and standards.
Good	Ensure that Pension Board Members do not have a conflict of interest, or are aware of the need to declare a potential conflict of interest.

Detailed Report

Opinion:

Internal Audit has undertaken a review of the risks and controls related to Pensions Governance and assessed the framework of internal control at Level 4. A total of 2 audit recommendations are detailed in the Action Plan.

Scope and Objectives:

The scope and objectives of our audit were set out in the Audit Brief and a summary of our opinion against each of the specific areas reviewed has been detailed in the Assurance Summary section above.

Context & Audit Comment:

The Avon Pension Fund Pension Board has been set up to assist in the good governance of the scheme through the monitoring of Fund performance and adherence to statutory duties. The Local Pension Board is not a decision-making body - its role is to assist in the compliance with scheme rules.

The Local Pension Board consists of three employer and three member representatives and an Independent Chairman. Having an Independent Chairman is a requirement for all responsible Local Government Pension Schemes.

During discussions with Board Members they confirmed their understanding of the legislative requirement to maintain a Pension Board and its role is to assist the Council (as the administering authority of the Avon Pension Fund), to secure compliance with:

- the Local Government Pension Scheme (LGPS) regulations
- any other legislation relating to the governance and administration of the scheme
- requirements imposed by the Pensions Regulator in relation to the scheme

They also recognised that the Pension Board's role is to ensure the effective and efficient governance and administration of the scheme but they all questioned the role of the Pension Board and whether it was required, i.e. added to the governance of the Pension Fund. Members also suggested that the Pension Committee and the Pension Board could work more closely to introduce greater efficiency with the administration of the Pension Fund by joining up on statutory governance policy discussions that the Pension Committee has delegated authority to approve.

This audit focussed on compliance with components of 'The Pension Regulator - Code of Practice no.14 - Governance and Administration of public service pension schemes', and follows on from the 2015/16 Internal Audit review of 'Pension Administration (Contributions / Member Records)'.

We identified the following strengths:

- Members of the Pension Board are fully aware of their responsibilities regarding the acquisition and maintenance of knowledge in relation to the Pension Scheme.
- Discussions with a sample of Members identified that Members are of the opinion that they: 1) fulfil their formal role and responsibilities as recorded in the Board Terms of Reference; 2) were adequately supported by Officers and the Chair; and, 3) are adequately skilled/trained to undertake the role and are confident with the level of knowledge to carry out their duties.

Draft Internal Audit Report – Pensions Governance

- Each Member completes an annual self-assessment to identify their training needs, which is then formulated into a training plan and approved by the Board.
- Pension Board Members possess a good, broad mix of business and pensions skills and experience, which assists in ensuring a well governed scheme.
- Information relating to the Avon Pension Fund, e.g. Scheme regulations and Scheme Admin strategy is up-to-date and accessible to its members.
- The scheme's risk assessment methodology and system has recently been redesigned to report on the top 10 risks, and these risks are routinely reported to the Board to enable Members to monitor risks. The Risk Register records the risk assessment for each risk for the current quarter (and 3 previous quarters if relevant).
- An Internal Dispute Resolutions Policy (IDRP) has been formally approved detailing the procedure for dealing with disagreements.
- A breaches procedure has been formally approved detailing the scheme's legal duty to report employer breaches of Pension Fund regulations.

We identified the following weaknesses:

- Incomplete training logs for Board Members.
- BANES employee Board Members have not been required to complete a declaration of interest form.

Audit & Risk Personnel:

Lead Auditor: Sue Bressington

Acknowledgements:

Sincere thanks to Geoff Cleak, Jeff Wring, Gaynor Fisher, Steve Harman, Mark King, Sean O'Neill, Chris Salmon and all service staff for their help and assistance provided throughout the Audit review.

Draft Internal Audit Report – Pensions Governance – 16-005B

ACTION PLAN

HIGH RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
H1	<p><u>Incomplete training logs for Board Members.</u></p> <p>A review of the most recent training logs completed by Pension Board Members, confirmed that only 3 of the 6 Members plus the Chairman have fully completed the recommended training.</p> <p>The training still to be undertaken by 3 Members of the Board included:</p> <ul style="list-style-type: none"> • TPR Code of Practice No.14 • TPR's Public Sector Online Toolkit (7 modules) 	<p>Members may not be fully aware/understand the legislative requirements regarding governance arrangements for the Pension Fund.</p> <p>TPR Code of Practice No.14 (34-36) sets out the legal requirements for the knowledge and understanding required by pension board members; this may not be complied with if training is not fully completed.</p>	<p>The Chair of the Pension Board/Head of Audit West should formally request that all Members of the Board complete any outstanding training to ensure that they are fully trained and equipped to fulfil their pension fund governance role by 31st March.</p> <p>Training logs must be kept up-to-date.</p> <p>The Head of Audit West should retain training logs or maintain an electronic copy to evidence adequacy of Member training.</p>	

Draft Internal Audit Report – Pensions Governance – 16-005B

HIGH RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
H2	<p><u>BANES employee Board Members not requested to complete a declaration of interest form.</u></p> <p>BANES employee Pensions Board Member Steve Harman has not been required to complete a declaration of interest form, despite being bound by The Code of Conduct for Members and Co-Opted Members and The Rules for Registration of Interests and Conflicts of Interest.</p>	<p>Non-compliance with the Board's own Terms of Reference.</p> <p>Potential conflict of interest may not be declared.</p>	<p>A formal request to complete an Interest Declaration should be sent to the following Member(s) of the Pension Board:</p> <ul style="list-style-type: none"> - Steve Harman <p>The Head of Audit West should periodically verify that signed declarations are held for each Member of the Board whether interests are declared or nil returns are completed.</p>	