

| Bath & North East Somerset Council | | | |
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| MEETING: | Pension Board – Avon Pension Fund | | |
| MEETING DATE: | 21 st September 2021 | AGENDA ITEM NUMBER | |
| TITLE: | Internal Audit Update | | |
| WARD: | ALL | | |
| AN OPEN PUBLIC ITEM | | | |
| List of attachments to this report: | | | |
| Appendix 1 - iConnect Project Audit Report | | | |
| Appendix 2 - Scheme of Delegations Audit Report | | | |
| Appendix 3 - Altair IT System Access Audit Report | | | |
| Appendix 4 - Risk Management Audit Report | | | |
| Appendix 5 - COP 14 Audit Report | | | |

1 THE ISSUE

- 1.1 The purpose of this report is to provide an update on Internal Audit activity.
- 1.2 The report and its appendices are important for the Board to consider in the context of their understanding of the performance and management of the fund.

2 RECOMMENDATION

- 2.1 The Pension Board is asked to note the report and outcomes of the Internal Audit work carried out on the Avon Pension Fund.

3 THE REPORT

2019/20 & 2020/21 Internal Audit Work

- 3.1 Internal Audit reviews the Pension Fund operations as part of its annual internal audit planning process (risk assessing all Council activities) and this results in audit reviews being scheduled each year.

- 3.2 Internal Audit last presented to the Pension Board on 13th June 2019 and due to the pandemic did not have the opportunity to report during 2020.
- 3.3 The Internal Audit Service has carried out and reported on 5 audit reviews since June 2019 and the Audit reports are attached at Appendices 1 – 5. For each of the 5 reports the audit opinion recorded an Assurance Level 4 – ‘Good’ and there were not any significant issues to the bring to the Boards’ attention.
- 3.4 The 2020 Audit Review of compliance with the Code of Practice 14 (Final Report issued in July 2021) is of particular interest to the Board and therefore the background and findings of this particular review are summarised below.

Code of Practice 14 Review

- 3.5 The scheme is regulated and overseen by the Pensions Regulator who has a number of regulatory tools, including issuing “Codes of Practice”, to enable it to meet its statutory objectives. Other bodies and agencies undertake key roles, particularly the Local Government Pension Scheme Advisory Board (SAB), the Ministry for Housing Communities and Local Government, and CIPFA, which sets the accounting standards.
- 3.6 Codes of Practice provide practical guidance in relation to the exercise of functions under relevant pensions legislation and set out the standards of conduct and practice expected from those who exercise those functions. Code of Practice 14 (COP 14) is particularly directed at scheme managers and the members of pension boards of public service pension schemes and connected schemes. Scheme managers must comply with various legal requirements relating to the governance, management and administration of public service pension schemes. Pension boards must also comply with certain legal requirements, including assisting scheme managers in relation to securing compliance with scheme regulations and other legislation, or requirements, relating to the governance and administration of the scheme.
- 3.7 COP 14 requirements have been subject to Internal Audit review annually for several years, and for the financial year 2020/ 21, the focus of the audit scope was to assess / verify that:
- Board Members are conversant with Pension Scheme legislation and standards
 - Board Members do not have a conflict of Interest
 - the Board has equal representation from employers and employees
 - Information about the Pension Board is accessible and up to date.
- 3.8 The report noted many strengths in terms of compliance with Code of Practice 14 requirements including:
- The current induction training session is comprehensive and covers key topics such as: the pensions legislative framework, governance

arrangements and roles and responsibilities, including that of the Scheme Advisory Board and the Pension Regulator.

- In compliance with COP 14 requirements, Pension Board members are asked to declare any conflicts of interest at the start of each meeting. This requirement is recorded in the minutes of the meeting.
- Online information about the Pension Board is accessible through the Avon Pension Fund website and this was reviewed and found to be up to date.

3.9 The Audit Review resulted in two medium risk weaknesses being reported to management for action. One was related to a new Board Member having not completed / submitted a Register of Interest Declaration Form and the second was the completion of the Pension Regulators Toolkit by Board Members was not evidenced. The recommended actions were agreed to be implemented and this will be subject to an Audit 'Follow-Up' review before the end of the financial year.

4 STATUTORY CONSIDERATIONS

4.1 There are no specific statutory considerations related to this report. Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIPFA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 There are no direct resource implications relevant to this report.

6 RISK MANAGEMENT

6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. Significant risks to the Pension Fund arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management. Specific risks include supplementary External Audit Fees and undetected fraud. Internal Audit provides assurance and assists the Pension Fund in identifying risks, improvement areas and recommending good practice.

6.2 The Pension Fund has specific responsibility for ensuring the Pension Fund's Risk Management and Financial Governance framework is robust and effective.

7 EQUALITIES

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 CLIMATE CHANGE

8.1 There are no direct climate change implications related to this report.

9 OTHER OPTIONS CONSIDERED

9.1 No other options to consider related to this report.

10 CONSULTATION

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

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| Background papers | |
| Please contact the report author if you need to access this report in an alternative format | |