

<b>Bath &amp; North East Somerset Council</b>		
<b>MEETING:</b>	<b>LOCAL PENSION BOARD - AVON PENSION FUND</b>	
<b>MEETING DATE:</b>	7 <sup>th</sup> December 2023	<b>AGENDA ITEM NUMBER</b>
<b>TITLE:</b>	<b>Internal &amp; External Audit Update</b>	
<b>WARD:</b>	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
Appendix 1 – Internal Audit Report - Pensions Investment Reporting		
Appendix 2 – Internal Audit Report - Cyber Security - APF Staff Training & Awareness		
Appendix 3 – Internal Audit Report - APF System Access Control		
Appendix 4 – External Audit – Findings Report for Avon Pension Fund		

## **1 THE ISSUE**

- 1.1 The purpose of this report is to provide an update on Internal and External Audit activity since the last report to the Pension Board on 8<sup>th</sup> December 2022.
- 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 –
  - a) Note the report and the outcomes of the Internal & External Audit work carried out on behalf of the Avon Pension Fund.
  - b) Comment on any areas for potential inclusion in the 2024/25 Internal Audit Plan.

## **3 FINANCIAL IMPLICATIONS**

- 3.1 There are direct implications related to the Pension Board in connection with this report, however these are all currently within the planned budget for the operation of the Board.

## **4 REPORT**

### **2022-23 & 2023-24 Internal Audit Work**

- 4.1 Internal Audit provides independent assurance that the Avon Pension Fund's (APF) risk management, governance and internal control processes are operating effectively. To do this, we schedule an annual programme of internal audits of APF governance and operations. The areas that we review are

identified from our annual audit planning process used to assess risks to the Pension Fund.

- 4.2 Since the last Internal Audit update report presented to the Pension Board on 8<sup>th</sup> December 2022, we have issued 3 audit reports, and these are attached at Appendices 1-3. The table below summarises the Assurance Level assigned to each internal audit review:

<b>Audit</b>	<b>Assurance Opinion</b>	<b>Appendix</b>
Pensions Investment Reporting	Substantial (Level 4)	1
Cyber Security - APF Staff Training & Awareness	Reasonable (Level 3)	2
APF System Access Controls	Limited (Level 2)	3

- 4.3 The Pension Investment Reporting audit did not have any significant weaknesses reported and this resulted in the “Substantial” Assurance rating being assigned.
- 4.4 The Cyber Security – APF Staff Training & Awareness audit was assigned a “Reasonable” Assurance rating.

The Avon Pension Fund (APF) workforce is employed by Bath & North East Somerset Council (B&NES). Accordingly, the B&NES cyber security e-learning and policy frameworks for information security and data protection apply to APF.

We have therefore reported our findings and made recommendations to the Council’s Information Governance Manager and IT Service Delivery Manager, and they have agreed to implement all the Audit Review recommendations by the end of the 2023-24 financial year. We will update APF on progress in implementing these recommendations once the ‘follow-up’ exercise has been completed. This is scheduled for Quarter 1 2024-25.

The APF Governance team oversee both cyber security and data protection training for APF. Their approach takes steps beyond those provided by the B&NES cyber security and data protection training programmes.

### **APF System Access Controls**

- 4.5 It is adopted practice to report to Board if any Audit Reports are assigned a ‘Limited Assurance’ (Level 2) or ‘No Assurance’ (Level 1) rating. The 2022/23 Audit Review of APF System Access Controls was issued as a ‘Final Audit Report’ in February 2023 and a Level 2 ‘Limited Assurance’ rating was assigned. The full report is attached – Appendix 3.
- 4.6 This review covered the four fundamental systems used by the APF. These systems were Altair, Employer Self Service (ESS), Member Self Service (MSS) and i-Connect.

- 4.7 The majority of the recommendations in this report concerned i-Connect. A total of two 'high' and six 'medium' recommendations were made for i-Connect, placing it into the 'Weak' category. A further 'high' recommendation was made concerning employer data access for Employer Self Service (ESS), which was due to be replaced by i-Connect by the end of February 2023.
- 4.8 A follow up review was completed in July 2023, and we are pleased to report that all recommendations have been implemented.
- 4.9 Finally, our planning process will shortly commence for 2024/25 and the Board are asked for their comments on areas for potential review.

### **External Audit – Avon Pension Fund**

- 4.10 The findings from the External Audit of the fund have been reported to the B&NES Corporate Audit Committee as part of their responsibilities for corporate governance. This report was therefore considered and noted as part of the process to approve the Council's & Pension Fund Accounts on the 22<sup>nd</sup> of November.
- 4.11 An unqualified opinion was presented on the accounts with a small number of improvement recommendations along with a positive value for money opinion in relation to the Pension Fund.
- 4.12 The Audit Committee raised no significant issues of concern, however a request was made for a follow-up on the external auditor's findings in May 2024.
- 4.13 Appendix 4 details the outcome of the External Auditor's work in relation to the Fund and the board are asked to note its findings.

## **5 RISK MANAGEMENT**

- 5.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.
- 5.2 The role of the Internal Audit Service is to review high risk areas of the Pension Fund and provide independent assurance about systems of internal control. This report therefore provides the Pension Board with assurance on how risks are managed.
- 5.3 The Avon Pension Fund Committee is the formal decision-making body for the Fund and it uses the Pension Board to focus on ongoing risks to the operation of the Fund including internal and external audit work. As such it has responsibility to ensure adequate risk management processes are in place.
- 5.4 The Committee discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition, it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations using the assurances from the Board and Investment Panel meetings.

**6 EQUALITIES**

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

**7 CLIMATE CHANGE**

7.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council’s Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is addressing this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

**8 CONSULTATION**

8.1 The Report and its contents have been discussed with the Head of Pensions representing the Avon Pension Fund and the Director – One West representing the administering authority.

<b>Contact person</b>	<i>Tariq Rahman - 01225 477256</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	