



Local Pension Board

4 September 2019

Title	Internal Audit Report - Pension Fund Finance and Investment
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Internal Audit Report
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Summary

Barnet's Internal Audit have undertaken a further review of the Pension Fund focusing on finance and investments. Their report is attached, with two high risk recommendations.

Officers Recommendations

1. That the Local Pension Board note the Internal Audit report.

1. WHY THIS REPORT IS NEEDED

1.1 The Board's role is to assist the administering authority in securing compliance with scheme regulations and other legislation relating to the governance and administration of the scheme. The Board's terms of reference also include "ensuring the effective and efficient governance and administration of the Pension Fund". Internal Audit work to evaluate controls is an important reference to the Board.

1.2 Barnet Internal Audit have undertaken a review of the finance and investment related processes for the pension fund. Their conclusion (page two) is:

"We found that the Fund has a well-defined process for reviewing investment performance and recording transactions. However, we noted that there were weaknesses in monitoring the contributions due to the scheme. We also noted that the scheme has a number of outstanding agreements with admitted bodies, including 13 admission agreements, five cessation agreements and the renewal of 10 admission bonds."

1.3 The two high risk recommendations are concerned with the monitoring of contributions received and reducing the number of outstanding admission agreements and bonds. The recommendations have been accepted with target dates of end July and September 2019 respectively.

1.4 The medium risk is concerned with the monitoring of strain costs invoices sent to employers and the provision of age analysis of debtors. Again, this has been agreed with end July 2019 as target date.

1.5 There is also one low risk recommendation relating to the provision of cashflow data to the Pension Fund Committee with a target date of December 2019.

Post-Audit Actions

1.6 Substantial progress has been made to the to the high risk recommendation relating to contributions. An enhanced contribution monitoring process is now in place with detailed returns to Capita from scheme employers being received on a monthly basis. These returns reflect the following;

- Confirmation of outstanding contributions by exception (by Employer for current and previous months)
- Late paying Employers where contributions have been received but not by due date
- Outstanding Contribution Breakdown slips
- Monthly contribution materiality and variance analysis which includes individual member volumes and Employer Pensionable Pay data

All employers are now compliant with the first two bullet points and as at the end of July 95% of employers covering 96% of contributing members were fully-compliant. Capita and Barnet officers are continuing to work with the remaining employers to ensure 100% compliance.

- 1.7 Work continues with Capita, Legal and employers to reduce the number of outstanding admissions, cessations and bonds although progress has been delayed by the need to prioritise the provision of data for the triennial valuation and annual benefit statements. In addition, verification work on end of year returns from employers has identified further appointments and cessations, mainly schools catering and cleaning contracts.
- 1.8 With regards to the medium rated risk; strain costs, an aged analysis of debts is now provided monthly to Barnet and work continues to improve the processes for invoicing and recovering debts.

2. REASONS FOR RECOMMENDATIONS

- 2.1 It is appropriate for the Board to review the Internal Audit findings and managements planned actions.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None - statutory function

4. POST DECISION IMPLEMENTATION

- 4.1 The Board will be informed of Internal Audit's follow up review of their recommendations.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 A positive Internal Audit report on the Pension Fund's activities plays a key role in providing assurance that the Pension Fund's financial risks are managed in an environment of sound stewardship and control.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 N/A.

5.3 Social Value

- 5.3.1 Contributing to the Pension Fund ensures that contributing members have a secured income on retirement.

5.4 Legal and Constitutional References

5.4.1 The Board's Terms of Reference include "ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund".

5.5 Risk Management

5.5.1 The audit report attached highlights areas of good control and areas of weakness which need to be addressed. Failure to do so carries the risk of adverse financial and/or reputational consequences.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation.

5.7 Corporate Parenting

5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Not required.

5.8 Insight

5.8.1 N/A.

6. BACKGROUND PAPERS

6.1 N/A.