

Lancashire Local Pension Board

Meeting to be held on Tuesday, 13 October 2020

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|---------------------------------------|
| Electoral Division affected: None; |
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Internal Audit Assurance

(Appendix 'A' refers)

Contact for further information:

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Executive Summary

The purpose of this report is to set out the Local Pension Board's role and responsibility in relation to internal audit reporting and assurances over the Lancashire County Pension Fund.

Recommendation

The Local Pension Board are asked to note the report for future reference.

Background and Advice

The Lancashire County Pension Fund is administered by Lancashire County Council, which has a duty to ensure that business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. These duties apply equally to the administration of the Fund which is delegated to the Council's Pension Fund Committee.

The full constitutional arrangements relating to Lancashire County Pension Fund are set out in the governance policy document which is publically available via the following link: <https://www.yourpensionservice.org.uk/media/1204/governance-policy-statement-updated-january-2018.pdf>

The governance policy also sets out the Terms of Reference of the Pension Board and its role in assisting the Pension Fund Committee in its role as administering authority. With regard to audit the Terms of Reference specifically mention the requirements that the Board should, "monitor internal and external audit reports" and "review the outcome of internal and external audit reports in relation to the Fund".

The county council's Audit, Risk and Governance Committee has a wider remit to **oversee** internal audit activity, and its Terms of Reference address its oversight of the work of the County Council's Internal Audit Service in some detail. This includes a requirement to, "Consider reports from the Head of Internal Audit on internal audit's

performance during the year, including the performance of external providers of internal audit services. These will include updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work...."

The Internal Audit Service's annual programme of work includes work relating to the Pension Fund and the Audit, Risk and Governance Committee considers both the annual plan and the outcomes of the work during the year.

The internal audit function for the Lancashire County Pension Fund is delivered by the county council's internal audit team, led by the Head of Internal Audit. As a provider of internal audit services to local authorities the team is required to comply with the Public Sector Internal Audit Standards (PSIAS) and accompanying Local Government Application Note which cover:

- Definition of Internal Auditing.
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing.

In accordance with PSIAS internal audit activity is defined in an internal audit charter that is consistent with the definition of internal audit, the code of ethics and the standards.

The Pension Fund's internal control framework comprises the systems, arrangements and procedures in place to ensure compliance with the scheme regulations and to protect the Fund from any adverse risks. It is management's responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

The Internal Audit Service reviews the systems of internal control for the Pension Fund operated by the county council as part of the delivery of its agreed risk-based annual audit plan. In determining where to focus its resource, the Internal Audit team reviews the Fund's risk register which highlights the key risks critical to the scheme and its members and uses intelligence gathered from discussions with senior management and the external auditor (Grant Thornton) regarding the pension fund's risks, operations, systems and priorities for the year. In addition the Head of Fund is a member of the Council's Finance Management Team and, as such, has direct access to the Head of Internal Audit to raise any areas of concern or requests for support on an ongoing basis. The audit plan is developed in March each year but is flexible and can be adapted as new risks and issues emerge.

The Fund's administration and investment functions are provided by a group of companies external to the council (albeit 50% owned by the council) – Local Pensions Partnership Ltd and its subsidiaries, Local Pensions Partnership Administration Ltd and Local Pensions Partnership Investments Ltd. In 2016 this group appointed Deloitte to provide its internal audit function and 2020/21 is the fourth year of that contract. Deloitte provides the council with short summaries of each of its reports, including information about the level of assurance associated with

each, once they have been considered by Local Pensions Partnership Ltd.'s Audit Committee.

The Head of Internal Audit reviews these summaries and reports the assurance given by Deloitte to the council's Audit, Risk and Governance Committee and Pension Fund Committee. Deloitte disclaims any liability to the county council and Lancashire County Pension Fund for any reliance they may place on this work but have agreed that their conclusions may be reported to the council's committees. If it has concerns over the scope of Deloitte's work or its outcomes the Audit Risk and Governance Committee can request a follow up report as was the case in 2018/19.

The Audit, Risk and Governance Committee has prime responsibility for overseeing the work of the county council's Internal Audit Service.

As noted above the Local Pension Board is informed of the outcome of these reports and is able to report any concerns in relation to the findings to the Chair of the Pension Fund Committee who will then refer them back to the county council's Audit, Risk and Governance Committee.

Consultations

Head of Internal Audit

Implications:

This item has the following implications, as indicated:

Risk management

None

Local Government (Access to Information) Act 1985 List of Background Papers

| Paper | Date | Contact/Tel |
|-----------------------------|----------|-------------------------------|
| Governance Policy Statement | Jan 2018 | Mukhtar Master (01772 532018) |

Reason for inclusion in Part II, if appropriate
N/A