

Outcomes of internal audit work for Local Pensions Partnership Ltd during 2018/19

1 Background

- 1.1 At its meeting on 21 June 2019 the Pension Fund Committee received a report from the county council's internal audit service setting out the assurance available to it for 2018/19, including that from Local Pensions Partnership Ltd's (LPP) own internal auditor, Deloitte.
- 1.2 All seven of Deloitte's audits for 2018/19 have now been reported to LPP's Audit Committee and the outcomes can therefore be shared with the Pension Fund Committee.

2 The audits and the assurance provided by Deloitte

- 2.1 Deloitte disclaims any liability to the council for any reliance it may place on this work but has agreed that its conclusions may be reported to the Audit, Risk and Governance Committee.
- 2.2 These are as follows:

Control area	Assurance
Benefits administration: calculation and payment of transfer values, retirement benefit and lump sums	Ineffective
Investments: governance, horizon scanning, and design and implementation of the compliance monitoring programme for Local Pensions Partnership Investments Ltd (LPPI)	Ineffective
Investments: Markets in Financial Instruments Directive (MIFID II) compliance	Effective
Third party oversight of service providers to LPPI	Effective with scope for improvement
General Data Protection Regulation readiness	Effective with scope for improvement
Cyber security: assessment against National Cyber Security Centre's '10 Steps to Cyber Security'	Ineffective
Core financial controls: management information and reporting (within LPP)	Ineffective

- 2.3 The council's internal audit service understands that these assessments were not unexpected by LPP's senior management team, as it has worked through a period of significant adjustment to its business that is continuing into 2019/20. Some of the issues raised by these audits had already been recognised and work has begun to address them within LPP and LPPI.
- 2.4 It is also understood that action has been taken to address many of the matters arising from earlier audits, and any future internal audit work plans will therefore

firstly seek assurance that the 'ineffective' functions will be re-tested to ensure the risks have been mitigated.

Response from LPP's management

- 2.5 LPP's senior management team recognised that improvements to the management of internal audit activity required improvement and consequently moved responsibility for its management to the Chief Risk Officer with support from the newly recruited Deputy Chief Risk Officer. LPP and LPPI's Boards have required greater internal accountability for the progress of internal audit findings and the LPP Executive team is setting appropriate priorities and dedicating required resource in order to close audit findings

3 Assurance over the council's oversight of the Pension Fund

- 3.1 It should be noted that, as has already been reported, substantial assurance has been given by the council's own internal audit service that the council's oversight of the Pension Fund and of LPP is adequate and effective.