

Pension Fund Committee

Meeting to be held on Friday, 16 September 2022

Electoral Division affected:
(All Divisions);

Audit Update

(Appendices 'A' and 'B' refer)

Contact for further information:

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Brief Summary

At the Pension Fund Committee on 17 June 2022, following the presentation of the 2021/22 external audit plan for the Lancashire County Pension Fund, there was an action for the Chair and the Head of Pension Fund to discuss the issue of materiality and report back to the Committee.

In addition, under the agenda item 'Internal Audit Report 2022', there was an action to provide further detail on the Fund's approach to the handling of overpayments, following a recent internal audit. Information relating to both these actions is covered in this report.

Recommendation

The Committee is asked to note the report.

Detail

Materiality

At the last meeting under the external audit agenda item, the Committee discussed the issue of materiality and agreed that the Chair and the Head of Pension Fund would discuss the matter further and bring a report back to the next meeting.

Materiality is the concept that defines issues which could have a major impact on the entity, this could be from a financial, reputational or legal aspect amongst others.

A note on materiality by the external auditor, Grant Thornton, and the Pension Fund finance team (which details the additional checks undertaken by the team) is attached at Appendix 'A'. This note relates to the financial statements of the Lancashire County Pension Fund and as such materiality here means: Information that if omitted, misstated or obscured could reasonably be expected to influence the decisions the primary users of the financial statements make on the basis of those financial statements.



Internal Audit of overpayments

There has been a recent audit into the pension overpayments process, primarily looking at recovery of overpaid pension amounts following the death of a member. The purpose of the audit was to ensure that an adequate risk and control framework is in place to ensure that pension overpayments are recovered in a timely manner, and write-offs are minimised.

The full audit was split into two audit reports, dated July 2021 and March 2022. The final audit report dated March 2022 took account of the improvements made between these dates and gave moderate assurance indicating that controls for the recovery of pension overpayments are adequately designed and effectively operated. However, it was noted that there is potential to make some improvements in relation to policy, process and management information, and good progress has been made to date in implementing these improvements.

The audit assessed the processes in place and interactions between the Pension Fund Team, Local Pensions Partnership Administration Ltd (LPPA) and the County Council Exchequer Services.

The following improvements have been made in response to the audit recommendations within the pre-agreed timescales:

- **Policy** - A Debt Management Policy for the Pension Fund was agreed at Pension Fund Committee on 17 September 2021. The policy has been implemented in practice and its effectiveness reviewed.
- **Process** - LPPA Procedures for the overpayment process have now been documented and agreed to ensure that pension administrators follow a clear process in dealing with overpayments. In addition, reminders for payment of invoices are being undertaken and this process will be automated as part of the Oracle-Fusion project. A reconciliation process is undertaken monthly.
- **Management information** - is now available for review annually in relation to invoices raised and amounts written off – see below.

Other further improvements are in progress and will be completed within the pre-agreed timescales.

Management Information

Within the audit, it was identified that management information on the level of debt and effectiveness of the debt recovery be provided to the Pension Fund Committee.

A summary of the invoices raised by the Pension Fund is included at Appendix 'B' and will be available for reporting to the Pension Fund Committee on an annual basis.

To ensure that the Committee is provided with an adequate snapshot of overpayment experience in this initial report, the summary at Appendix 'B' covers the



period 1 January 2020 to 30 June 2022. In subsequent years, the information provided will cover an annual period.

The report shows that compared to the total volume of invoices during the period 1 January 2020 to 30 June 2022, the amounts written off during that same period are very small. It should be noted that the majority of these invoices are related to death overpayments, however, some of the invoices relate to other member/scheme events.

In the report presented to the Committee in September 2021, it was noted that there are historic debts that are not economically viable to pursue. As the Debt Management Policy has now been implemented it has been possible to review and write off historic overpayments which is reflected in the analysis in Appendix 'B'. However, based on the cases still to be reviewed it is expected that a further £80,000 of write offs will be made in respect of the historic cases and this is reflected in the budget for this year.

Consultations

LCC Accounts Receivable Team, Exchequer Services
Local Pensions Partnership Administration Limited
LCC Internal Audit Service

Implications:

This item has the following implications, as indicated:

Risk management

Debt Management Policy gives a framework for efficient and effective recovery of debt and income to the Lancashire County Pension Fund, and for writing off bad debts appropriately

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
N/A	N/A	N/A
Reason for inclusion in Part II, if appropriate		
N/A		

