

Internal Audit and Counter Fraud Surrey Pension Fund Internal Audit Progress Report for Quarter One 2023-24 July 2023

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1. Summary of Completed Audits

Pension Fund Performance Follow Up

- 1.1 An audit of performance management practices within the Surrey Pension Fund was completed in August 2022 with an audit opinion of Partial Assurance. In line with our follow-up protocol, and as part of our planned work for 2023/24, we agreed with the Pension Fund management team to undertake a follow-up review of the agreed actions from this audit.
- 1.2 This audit, part of the agreed 2023/24 plan, set out to assess and provide assurance on the progress made in implementing the agreed actions from the previous audit. Testing did not cover controls which were found to be satisfactory during the previous review. We previously raised three high and one low priority actions during the original review relating to;
- Data integrity;
 - The calculation of service performance;
 - Administration service performance; and
 - Inclusion of response timeframes in member correspondence.
- 1.3 We recognised that significant improvements had been made in all the previous areas identified above in which findings were raised. All three high priority actions from the previous audit had been implemented by management and there was one finding of low priority repeated, which was:
- The expected performance turnaround timeframes for communications received are documented in both the Communications Policy and in the performance, reports presented to the Surrey Pension Board. However, they are not included in documents that are routinely accessed by scheme members or related parties and therefore are not easily accessible or visible.
- 1.4 Overall, we gave an opinion of **Substantial Assurance** following this audit. We identified and repeated one action with management, which was of low priority.

Pension Fund Banking Controls Follow-Up

- 1.5 An audit of the banking control arrangements for the Surrey Pension Fund was completed in April 2022 with an audit opinion of Minimal Assurance. In line with our follow-up protocol, and as part of our planned work for 2022/23, we agreed with the Pension Fund management team to undertake a follow-up review of the agreed actions from this audit.
- 1.6 We set out to assess and provide assurance on the progress made in implementing the agreed actions from the previous audit. Testing did not cover controls which were found to be satisfactory during the previous review. We previously raised seven high priority actions during the original review relating to;
- The centralising of key responsibilities or accounting management;
 - The invoicing of outstanding compensatory added years (CAY) charges;

- The completion of reconciliations;
- Management of the Pension Fund bank account;
- The recharging of legal and actuarial fees;
- The methodology used to monitor transfers; and;
- The payment of outstanding debts.

1.7 The Council experienced delays in the implementation of MySurrey, which had been identified as the solution to some of the previously agreed actions. MySurrey has now gone live at the time of reporting though a number of the previously raised findings were yet to be fully implemented. However, since our previous review the service has:

- Invoiced, and collected, outstanding Compensatory Added Years (CAY) liabilities dating back to November 2014.
- Recharged scheme employers for legal and actuarial costs dating back to financial year 2017/18.
- Processed payments due to a Fund Manager dating back to 2017.
- Gained control of, and responsibility for, management of the suspense accounts.

1.8 Overall, we did not give an updated opinion following this audit but rather gave management an interim report acknowledging the progress that had been possible. We recognised delays in the implementation of MySurrey contributed to the inability for previously identified actions to be fully implemented and we will complete further follow up work in this area later in the year to seek assurance that the expected improvement in control has been implemented. We will update the Board when this work is completed.

2. Action Tracking

2.1 We seek written confirmation from the Pensions team that all high priority actions due for implementation are complete. Where follow-up audits are undertaken, we reassess the progress of all agreed actions (low, medium, and high priority). Periodically we may also carry out random sample checks of all priority of actions.

2.2 All high-priority actions due to be implemented by management by the end of June have been implemented.

3. Pension Fund Audit Plan Update

3.1 In accordance with proper professional practice, the Internal Audit annual plan for Surrey Pension Fund is kept under regular review to ensure that we continue to focus our resources in the highest priority areas based on an assessment of risk.

3.2 Below is an overview including relevant updates of the Fund's Internal Audit Plan for 2023/24:

Audit Name	Audit Status	Audit Opinion (If Applicable)
Cyber Security	Not yet started	
i-Connect Application Control	Not yet started	
Administration Review	Not yet started	
Pension Investments	Not yet started	
Admission Arrangements	Not yet started	
Follow Up of the LGPS Performance Management Review	Completed – Final Report Issued	Substantial Assurance
Follow up of the Banking Controls Review	Initial Review Completed as part of 22/23 audit plan - Interim Final Report issued in Q1 this year, further review work will be needed later in the year due to delays associated with the MySurrey implementation	No opinion given at this stage - However, further follow up work will be completed later in the year

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

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