

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

PENSION FUND COMMITTEE REPORT

8 OCTOBER 2021

DIRECTOR OF FINANCE – IAN WRIGHT

INTERNAL AUDIT REPORTS

1. PURPOSE OF THE REPORT

- 1.1 To provide Members with the outcome of two recent internal audit reports into the investment and administration of the Pension Fund.

2. RECOMMENDATION

- 2.1 That Members note the report.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no specific financial implications arising from this report.

4. BACKGROUND

- 4.1 Veritau is a shared services group currently owned by nine local authorities in Yorkshire and the North East, including Redcar & Cleveland and Middlesbrough Councils. They act as the internal auditor for the Council and the Pension Fund.
- 4.2 Veritau carried out two planned audits of the Pension Fund's activities during the 2020/21 financial year, one covering investments and one covering administration. The reports and recommendations in respect of these audits are enclosed as appendices A and B, and a brief summary is included below.

5. INVESTMENTS AUDIT - AUDIT OBJECTIVES, SCOPE, FINDINGS AND CONCLUSIONS

- 5.1 The Investments audit looked at the transition of assets from the Pension Fund to Border to Coast Pensions Partnership to determine whether this was carried out in a planned, controlled manner and if plans were adequately monitored and appropriately reviewed.
- 5.2 Although the audit did identify some issues in relation to how up to date some policies were, and whether risk reviews were being appropriately documents, the overall conclusion was that a sound system of governance, risk management and control exists and that this provided substantial assurance.

- 5.3 One priority three agreed action was identified: “The Council was unable to demonstrate that the TPF risk register had been reviewed on a regular basis.” It was agreed that “Going forward, every time the TPF risk register is presented to the Committee, Pentana will be updated to reflect the fact that a review of the risk register has taken place.” Pentana is the software the Council and the Pension Fund uses for risk management.

6. PENSION FUND ADMINISTRATION AUDIT - AUDIT OBJECTIVES, SCOPE, FINDINGS AND CONCLUSIONS

- 6.1 The scope and objectives of the Pension Fund Administration audit were as follows:

To provide assurance to management that procedures and controls within the system will ensure that:

- Pensions Administration is operated in accordance with relevant legislation and agreed processes, and that that support and guidance is provided to employers to ensure the quality of returns.
- Correct and timely payments are received from employers, which are regularly reconciled to Business World and to the TPF bank account.
- For those members who retired early where there is a strain on the fund payments from employers are monitored to ensure the deficit is paid in full within agreed timescales.
- Processes are in place for monitoring and recording the receipt of income from member transfers in from previous employment.

- 6.2 The overall conclusion of the audit was that a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Veritau’s overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance. Three priority 3 agreed actions were identified as follows:

- Several strategy and policy documents relating to the administration of the Pension Fund had passed their scheduled review date without being reviewed. Revised documents will be prepared and presented to the December 2021 Pension Fund Committee.
- The Pension Fund should consider introducing a charging policy to cover circumstances where employers consistently fail to provide required information in respect of pension administration.
- A formal process should be put in place to ensure late payment of invoices in respect of employer pension scheme costs is monitored and escalated as appropriate.

7. NEXT STEPS

- 7.1 A representative from Veritau will be present at the meeting to provide further detail and more information in relation to the audits should this be required.
- 7.2 Target dates to complete the actions identified are set out in the appendices, progress will be monitored and reported back to subsequent Committee meetings.

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