

ACTIONS AND RECOMMENTATIONS TRACKERS

Report of the Director of Finance and Public Value

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

1) Recommendation

That the Board be asked to note the progress made on completing actions arising from internal audits and Pension Board recommendations and requests.

2) Introduction

2.1 As part of an agreed actions from previous board meetings an Audit action log has been created to track progress and completion of audit actions and recommendations. In addition, officers have also produced a log of actions and requests raised by the Pension Board.

3) Trackers

3.1 The Actions and Recommendations tracker (Appendix 1) compiles a list of actions, recommendations and requests raised by the Devon Pension Board. Previously completed actions have been removed.

3.2 Below is a summary of outstanding audit actions

Audit	Year	Actions outstanding
DPF Employer Covenant	2022/23	2 medium
DPF Cyber Security	2022/23	4 (2 high, 1 medium and 1 low)

4) Internal Audit Programme

4.1 Progress against this year's audit plan is summarised in the table below. A member of the audit team will attend the board meeting to provide a verbal update to the board which will include a presentation on the progress of the employer performance dashboard.

Devon Pension Fund Audit risk areas	Status	Assurance
Brunel Performance Management Reporting – 2022/23	Final report	Reasonable
Actuarial Valuation 2022 – 2022/23	Final report	Substantial
The Pensions Regulator Code of Practice 14/consolidated Codes of Practice compliance (joint audit) – 2023/24	Ongoing TPR delays – deferred to 2024/25	
Climate Risk and Environment Social Governance Reporting – 2023/24	Delay in legislation – deferred to 2024/25	
Inflation risk on Funding and investments on Devon Pension Fund	Scheduled Q3	
Succession Planning	Scheduled Q3	
Cyber Security follow up (joint)	Scheduled Q3	
Governance – Readiness for Change following the outcomes of the Good Governance Review	Scheduled Q4	
Peninsula Pensions Audit risk areas		
Implementation of McCloud 2023/24	Scheduled Q4	
Payroll and immediate payment system 2023/24	Final report	Reasonable
Finest replacement (joint)	Ongoing via project board	
Quality control and assurance 2023/24	Scheduled Q4	
The Pensions Regulator Code of Practice 14/consolidated Codes of Practice compliance (joint audit)	Ongoing TPR delays – deferred to 2024/25	
Employer performance dashboard	Ongoing	

4.2 Final audit reports issued since the last pensions board

- Performance reporting - Brunel
- Immediate payments
- Actuarial Valuation

The above reports are attached to this report.

5) Conclusion

- 4.1 The Board is asked to review the attendance log in accordance with the Terms of reference.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

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Appendix 1

DEVON PENSION BOARD ACTIONS AND RECOMMENATIONS TRACKER

The actions tracker allows Board members to monitor responses, actions and outcomes against their recommendations or requests. The tracker will be updated following each board. Once an action has been completed, it will be shaded out to indicate that it will be removed from the tracker at the next meeting.

Date	Recommendations / Actions	Response	Progress
06/07/2023	117 - Inclusion of employer performance on provision of data to be included in breaches report		Audit developing performance data from peninsula pension records. Officers will further develop the breaches report
06/07/2023	123 - Admin strategy to be included in the future work programme		Included and on the agenda for the January 2024 board meeting

Internal Audit Report

Devon Pension Fund

Brunel Performance Reporting

March 2023

Service Objective

The Devon Pension Fund's primary purpose is to provide pension benefits for its members. The Fund's investments will be managed to achieve a return that will ensure the solvency of the Fund and provide for members' benefits in a way that achieves long term cost efficiency and effectively manages risk.

Audit Opinion

Reasonable Assurance - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Risks or Areas Covered

- key concerns or unmitigated risks

The performance targets within Devon Pensions Fund's Investment Strategy is not being met due to Brunel Pension Partnership not to account over its investment's performance

These areas / risks combine to provide the overall audit assurance opinion. Definitions of the assurance opinion ratings can be found in the Appendices. The observations and findings in relation to each of these areas has been discussed with management; see the "Detailed Audit Observations and Action Plan" appendix A. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed

Level of Assurance

Reasonable Assurance

Introduction

The Devon Pension Fund participates with nine other administering authorities to pool investment assets through the Brunel Pension Partnership. At the centre of the partnership is Brunel Pension Partnership Limited (Brunel), a company established specifically to manage the assets within the pool. The Devon Pension Fund, through the Investment and Pension Fund Committee, retains the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by Brunel.

As a client of Brunel, the Devon Pension Fund has the right to expect certain standards and quality of service. The Service Agreement between Brunel and its clients sets out in detail the duties and responsibilities of Brunel, and the rights of the Devon Fund as a client. It includes a duty of care of Brunel to act in its clients' interests. There are clear governance arrangements for the pool in place, including The Brunel Oversight Board which is comprised of representatives from each of the Administering Authorities and two fund member observers, with an agreed constitution and terms of reference. Acting for the Administering Authorities, it has ultimate responsibility for ensuring that Brunel delivers the services required to achieve investment pooling and deliver each Fund's investment strategy.

The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities, one of its roles is monitoring Brunel's performance and service delivery for each of the established Brunel portfolios. In relation to Devon Pension Fund, the Investments and Pension Fund Committee (IPFC) receives regular reports covering portfolio and Fund performance and Brunel's service delivery against the Investment Strategy.

A new quarterly performance monitoring report has been developed by Brunel to include private market investment performance, which was produced and presented for the first time to the Investments and Pension Fund Committee in March 2023.

Devon Audit Partnership have been asked to look at the new reporting format and provide assurance on how Devon Pensions Fund holds Brunel to account for meeting requirements of its investment strategy, and to review effectiveness of the information it receives from Brunel in order to demonstrate / achieve investment performance.

Executive Summary

Review of the new quarterly performance monitoring report that was presented for the first time to the Investments and Pension Fund Committee in March 2023, was found to be comprehensive, and enables effective monitoring of investment performance of the portfolio of pooled assets managed by Brunel Pension Partnership on behalf of Devon Pension Fund (DPF) against the clearly defined performance targets laid down in DPF Investments Strategy.

The overall DPF governance framework was found to be sound overall, with many layers of challenge and holding Brunel Pension Partnership to account over its investment performance at senior management level, committee / member level as well as externally. However, the evidence to support this challenge, particularly at committee level is compromised where any key challenge during pre and post meeting briefings is not being recorded, resulting in the level of assurance that can be given around the effectiveness of holding Brunel to account over its investment performance being reduced to reasonable assurance.

The detailed findings and recommendations regarding these issues and less important matters are described in Appendix A. Recommendations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are also given in the Appendices to this report.

Management are required to agree an action plan, ideally within three weeks of receiving the draft internal audit report.

Written responses should be returned to Alexis Saffin (alexis.saffin@devon.gov.uk). Alternatively, a meeting to discuss the report and agree the action plan should be arranged with the named auditors.

Issues for the Annual Governance Statement

The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement. There are no issues arising from the audit that need to be considered for inclusion in the Annual Governance Statement.

Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.

Tony Rose
Head of Partnership

Detailed Audit Observations and Action Plan

Devon Pensions Fund Investment Strategy is not being met due to Devon Pension Fund not effectively holding Brunel Pension Partnership to account over its investment's performance			Level of Assurance
Opinion Statement:			Reasonable Assurance
<p>There is an up to date investment strategy in place which clearly defines the expected investment performance measures including the expectations on the Brunel Pension Partnership (BPP) in relation to delivery of the targets and performance reporting expectations. Review of the Brunel Performance Report to quarter ending December 2022, that was presented to the Investments and Pension Committee and Pension Committee in March 2023 found to be comprehensive and in line with the format / structure recommended by the members of the Brunel Operations Group, in particular the expansion of the existing reporting to include private market performance. A recommendation has been offered in relation to content the which we feel would further enhance the reporting structure and effectiveness.</p> <p>Governance framework was found to be sound overall. There was good evidence to support challenge and holding Brunel to account over investment performance by senior management of DPF, however, whilst it is understood that there is similar robust challenge undertaken by the members of the Investment and Pension Fund Committee during their pre and post meeting briefings, this challenge is not being recorded. In the absence of key challenge being recorded, the level of assurance that can be given around the effectiveness of holding Brunel to account over its investment performance is compromised and has had to be reduced to reasonable assurance.</p>			
No.	Observation and Implications	Impact / Priority	Recommendation
1.1	<p>Whilst it was clear from discussions that there is good opportunity to interrogate and hold Brunel to account over its investment performance at every pre and post committee meeting briefing, the key discussions and questions are not being formally captured.</p>	Medium	<p>Key questions / challenges that take place between the IPFC and Brunel at the pre and / or post meeting briefings should be recorded. These wouldn't need to be published but would demonstrate to Internal Audit or other external scrutiny process.</p>
1.2	<p>There were two observations made when reviewing the Brunel Performance Report to quarter ending December 2022.</p> <ul style="list-style-type: none"> The Portfolio Section of the quarterly performance reports provides rolling performance data for the quarter being reported, year to date and since inception. However, the date on inception is not recorded for each portfolio and therefore it is not clear how long a period this performance reporting covers. It is unclear as to the purpose of the "Strategic Asset Allocation" section of the report, and whether this adds anything to the report. 	Low	<p>Discuss with Brunel about implementing the minor adjustments in the quarterly performance reports as suggested in the findings.</p> <p>Management will consider the point regarding the fund starting date on the report though this is not critical.</p> <p>The strategic asset allocation information is required to confirm the fund is invested as per the allocation targets set by the Committee.</p>

Scope and Objectives

The objective of the audit was to provide assurance on how Devon Pensions Fund holds Brunel to account for meeting requirements of its investment strategy, and to review the effectiveness of the information it receives from Brunel in order to demonstrate / achieve investment performance.

Inherent Limitations

The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Confidentiality under the National Protective Marking Scheme

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies. This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Marking

Official

Definitions

The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.

Official: Sensitive A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL-SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Definitions of Audit Assurance Opinion Levels

Definition of Recommendation Priority

Assurance Definition

Substantial Assurance	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.	High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors, or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

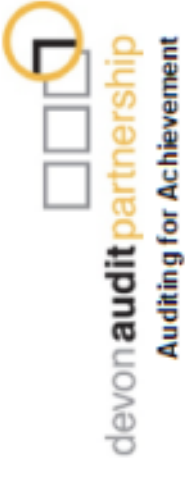
Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, South Hams & West Devon, Torridge, North Devon councils and Devon & Somerset Fire and Rescue Service. We aim to be recognised as a high-quality internal audit service in the public sector. We collaborate with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In conducting our work, we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devon.gov.uk

Internal Audit Report Peninsula Pensions Immediate Payment System 2023/24

September 2023

Official



Service Objective
To speed up and simplify the payment of pension lump sums and minimise the reliance on using 3rd party for generation of BACS payments.
Audit Opinion
Reasonable Assurance - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Risks or Areas Covered	Level of Assurance
- key concerns or unmitigated risks Immediate Payments are not suitably controlled, resulting in inaccurate and fraudulent payments being made. <i>These areas / risks combine to provide the overall audit assurance opinion. Definitions of the assurance opinion ratings can be found in the Appendices. The observations and findings in relation to each of these areas has been discussed with management, see the "Detailed Audit Observations and Action Plan" appendix A. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed.</i>	Reasonable Assurance

Introduction

Peninsula Pensions processes the monthly pension payroll runs using Altair. Peninsula Pensions have recently implemented a new "Immediate Payments" system for processing lump sum pension payments, pension arrears and contribution refunds also using Altair, enabling all pension payments to be managed and controlled in house, and them no longer having to place reliance on a 3rd party to process the BACS payments through FINEST. The "immediate payments" system went live in January 2023.

Devon Audit Partnership have been asked to carry out a review of the newly implemented immediate payment system. The objective of the audit is to provide assurance on the control framework to ensure that payments made are suitably controlled, accurate, timely and the risk of fraudulent payments is minimised.

The audit did not review the benefit calculations process and focussed on the generation of the payroll record and payment in Altair, the payroll outputs, reconciliation and the process for transferring the payroll outputs into the main accounting systems for both the Devon and Somerset Pensions Funds

Executive Summary

The audit review has confirmed that immediate payments process for both Devon Pension Fund and Somerset Pension Fund are suitably controlled, and the risk of error or fraudulent payments being made are considered to be low. The level of assurance given was reasonable, rather than substantial due mainly to the inconsistent and / or incomplete audit trail for some Somerset Pension Fund immediate payments, which, whilst the process being followed was the same for both Devon and Somerset Pension Funds, the information for Somerset wasn't being consistently stored in the corresponding "P" folders on the network.

The detailed findings and recommendations regarding these issues and less important matters are described in Appendix A. Recommendations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are also given in the Appendices to this report.

Management is required to agree an action plan, ideally within three weeks of receiving the draft internal audit report.

Written responses should be returned to Alexis Saffin (alexis.saffin@devon.gov.uk). Alternatively, a meeting to discuss the report and agree the action plan should be arranged with the named auditors.

Issues for the Annual Governance Statement

The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement. There are no issues identified during this review that need to be considered for inclusion in the Annual Governance Statement.

Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.

Alexis Saffin – Senior Auditor
Bradley Hutton - Senior Assurance Manager

Detailed Audit Observations and Action Plan

1. Risk Area: Immediate Payments are not suitably controlled, resulting in inaccurate and fraudulent payments being made.		Level of Assurance		
Opinion Statement:		Reasonable Assurance		
<p>The audit review has confirmed that immediate payments process for both Devon Pension Fund and Somerset Pension Fund are suitably controlled, and the risk of error or fraudulent payments being made are considered to be low. Controls include:</p> <ul style="list-style-type: none"> • fully documented procedures and trained staff, • an electronic immediate payment process checklist which walks the user through every stage of the process, • good separation of duties at all stages of the payment batch generation, BACS processing and reconciliation. • Robust checks and balances being carried out at all stages of the process thus ensuring that payments are correct, fully supported, appropriately authorised, and correctly transferred to BACS and the main accounting system. • appropriate access rights to Altair, FileZilla and the bank, limited only to the staff that need it. <p>Since the implementation of the immediate payments process, there have been a few discrepancies identified during the bank / ledger reconciliation process which have been recorded in an issue log and returned to the payroll team for correction. None related to BACS errors, the errors / anomalies in the outputs reports / interface around either formatting or period / month end timeliness conflict. Due to the infancy of the process, until errors occur the Payroll Team don't know there's an issue. What the issues log showed is that rarely does the same error occur in subsequent months, which demonstrates that Payroll are being pro-active in fixing the errors as they occur.</p> <p>Whilst the immediate payment process being followed was the same for both Devon and Somerset Pension Funds, the audit trail for the Somerset Pension Fund was found to be inconsistent and / or incomplete, which impacts on the overall level of assurance that can be given.</p>				
No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
1.1	Standard Operating Procedures (SoPs) are available for each part of the immediate payments process. However, the SoPs currently do not have a document review date included.	Low	Consider including a process document review date into the SoPs, which will ensure that the documents remain relevant and up to date.	Agreed.
1.2	In relation to the Somerset Pension Fund, there were inconsistencies and / or gaps in the immediate payment process audit trail. This includes some copies of emails confirming submission to PENNOT return to HMRC not being retained on the respective "P" folder on the network, incomplete process checklists and the suite of reports not being added to the automation test spreadsheet.	Medium	The audit trail to support all stages of the immediate payment process being followed needs to be consistent and complete for the Somerset Pension Fund, similar to that of the Devon Pension Fund.	Agreed – the immediate payment process for both Funds is consistent, however the team will ensure that in future the audit trail is adhered to in all cases and documentation saved in the correct folders accordingly.

Scope and Objectives

The objective of the audit is to provide assurance on the control framework to ensure that payments made are suitably controlled, accurate, timely and the risk of fraudulent payments is minimised.

The audit scope will include both Devon and Somerset Pension Funds.

Inherent Limitations

The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

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Definitions of Audit Assurance Opinion Levels

Definition of Recommendation Priority

Assurance	Definition		
Substantial Assurance	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.	Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

Devon Audit Partnership

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Internal Audit Report

Devon Pension Fund

Actuarial Valuation 2022

March 2023

Official



Service Objective

It is a statutory requirement for a valuation to be carried out every 3 years. Its purpose is to monitor the assets against the current value of the liability of the pension benefits earned to date, and to review the Employer contribution rates.

Audit Opinion

Substantial Assurance - 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.

Risks or Areas Covered

- key concerns or unmitigated risks

1. **The Actuarial Valuation process is not controlled and the risks of the effects of the valuation on employers are not adequately documented and communicated**

2. **There is not a current Funding Strategy Statement in place**

These areas / risks combine to provide the overall audit assurance opinion. Definitions of the assurance opinion ratings can be found in the Appendices. The observations and findings in relation to each of these areas has been discussed with management, see the "Detailed Audit Observations and Action Plan" appendix A. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed

Level of Assurance

Substantial Assurance

Substantial Assurance

Introduction

Devon County Council (DCC) administers the Devon Pension Fund for DCC employees and over 200 other organisations including scheduled and other admitted bodies. A full valuation is currently carried out every three years, by the Fund Actuary, to establish the value of the assets and liabilities of the Fund and determine individual employer contribution rates and deficit funding contributions, where applicable.

The 2022 valuation has been completed, and the final employer contributions rates set for the next three years from April 2023 to March 2026. The valuation is intended to ensure the solvency of the Fund and achieve long term cost efficiency in setting contribution levels to reduce the deficit in the funding position.

Communications with employers over the valuation period keep employers comprised of the valuation process, advising them of interim valuations and notifying them of the new contribution rates that come into effect from April 2023.

Executive Summary

The 2022 Actuarial Valuation had been concluded at the time of the audit, and all that was remaining was the final sign off of the valuation by Barnett Waddington, the Fund Actuary, and the publishing of the valuation of the Fund's website.

As reported to the Devon Pension Board in January 2020, the Fund Actuary, Barnett Waddingham, has determined that the Devon Fund has a funding level of 98%, up from 91% at the 2019 Valuation. The Fund's assets were valued at £5,316 million against future pension liabilities assessed at £5,405 million, giving a deficit for this valuation of £89 million. The indicative results had been communicated to most Employers at the time of the audit, and final Employer contributions were confirmed by the end of March 2023 although employers were in the process of being notified whilst the audit was taking place. The Devon Pension Fund Funding Strategy Statement (FSS) has been revised and takes account of the assumptions and recommended contribution and secondary contribution rates. The FFS was formally approved by the Investment and Pension Fund Committee on 3rd March 2023.

Whilst the Actuarial Valuation process takes a project management approach that is subject to oversight by the DCC Pensions Management Group, and we note from our testing that that the Actuary's target for data submission had been met. We have made recommendations in relation to strengthening the communication flow audit trail.

The detailed findings and recommendations regarding these issues are described in Appendix A. Recommendations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are also given in the Appendices to this report.

Management is required to agree an action plan, ideally within three weeks of receiving the draft internal audit report.

Written responses should be returned to Alexis Saffin (alexis.saffin@devon.gov.uk). Alternatively, a meeting to discuss the report and agree the action plan should be arranged with the named auditors.

Value Added

Internal Audit aimed to provide added value, in relation to consideration of the robustness of Devon Pension Fund and Peninsula Pensions' approach to the actuarial valuation process; and consideration of whether effective communication flows are in place between Investments Team and Peninsula Pensions officers.

Issues for the Annual Governance Statement

The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement.

Based on the evidence we have found in this audit there are no issues arising from the risk management, systems and controls examined that would warrant inclusion in the Annual Governance Statement.

Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.

Alexis Saffin, Senior Auditor
Bradley Hutton, Senior Assurance Manager

Detailed Audit Observations and Action Plan

Risk 1: The Actuarial Valuation process is not controlled and the risks of the effects of the valuation on employers are not adequately documented and communicated		Level of Assurance		
		Substantial Assurance		
<p>Opinion Statement: The Devon Pension Board and Investment & Pension Fund Committee have been kept informed of the planned approach, and progress towards, completion of the 2022 Actuarial Valuation. At the time of review in March 2023, the actuarial valuation was nearing completion, with only the remaining tasks to be completed:</p> <ul style="list-style-type: none"> • the notification of the employer contribution rates, applicable from April 2023, • formal sign off of the valuation by Barnett Waddington, the Fund Actuary, and • the publication of the valuation report on the website. <p>Data is provided to the Fund Actuary by Peninsula Pensions via the Barnett Waddington on-line exchange portal. Following submission of data by Peninsula Pensions there is a period of consolidation where queries are raised by the Fund Actuary via the portal for resolution. From reviewing screen shot extracts from the portal, we were able to confirm that all required information for the 2022 Valuation was provided in line with agreed timescales although the addition of a project communication timetable, similar to that used during the 2019 valuation would have provided a clearer audit trail. The 2022 process was nearing completion at the time of audit and the results of the valuation were in the process of being confirmed to employers and would be complete by the end of March 2023.</p> <p>Devon Pension Fund employers were informed of the 2022 valuation process and have at the time of audit, been notified on an individual basis of the provisional results from the valuation.</p> <p>Risks and mitigations associated / linked to the actuarial valuation have been identified and included in the Devon Pension Fund risk register, including changes in mortality rates following the Covid pandemic, and the employer's inability to repay any deficit on cessation.</p> <p>Effective communication flows are in place between Investments Team and Peninsula Pensions officers; and previously agreed management actions have been effectively implemented.</p>				
No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
1	We understand that all required information and stakeholder communications for the 2022 Valuation was provided in line with agreed timescales, however, there was not a central log / checklist maintained to provide tangible evidence, and we had to draw our assurance from discussions and provision of screen shots from the Barnett Waddington portal. During the 2019 valuation, there was both a project communications timetable and a valuation checklist, but these had not been fully maintained for this review.	Low	Consider re-instating the project communication timetable and fully utilise the valuation checklist for the 2025 valuation.	Agreed re valuation checklist – we will ask BW to save the checklist centrally in future for all to access / update accordingly - RL

Risk 2: There is not a current Funding Strategy Statement in place			Level of Assurance
			Substantial Assurance
<p>Opinion Statement: Administering Authorities are required to prepare and publish a Funding Strategy Statement in accordance with Regulation 58 of the LGPS Regulations 2013 (as amended).</p> <p>The Devon Pension Fund Funding Strategy Statement (FSS) is reviewed at least every three years, usually following the conclusion of the latest actuarial valuation. This review has confirmed that the FSS has been reviewed following the 2022 valuation, and was shared with Fund employers, for consultation, through Pensions Line, the electronic newsletter for LGPS employers.</p> <p>The Funding Strategy Statement makes adequate reference to the triennial actuarial valuation process and confirms the role of the Fund Actuary. It also sets out how the costs of the benefits are met through the Fund, the objectives in setting employer contribution rates and the funding strategy adopted to meet those objectives.</p> <p>Financial, demographic and regulatory risks are identified, and mitigating controls are noted in relation to these risks where applicable.</p> <p>We noted that the Funding Strategy Statement was reviewed by the Devon Pension Board in February 2023, who commended it to the Investment and Pension Fund Committee for review and approval at their 3rd March 2023 meeting and was approved at this meeting.</p>			
No.	Observation and Implications	Impact / Priority	Management Response
	No observations and recommendations recorded		

Scope and Objectives

The objective of this audit is to provide the client with an audit opinion on the control framework concerning the 2022 Actuarial Valuation of the Devon Pension Fund

This will include:

- a) Review of Devon Pension Fund actuarial valuation process, ensuring that
 1. the risks of the effects of the valuation on employers are adequately documented and communicated.
 2. there is an appropriate plan in place, which includes actions and timescales and communication to employers and other stakeholders; and
 3. there is a dedicated resource to manage the actuarial valuation process and the resulting communication to employers and other stakeholders.
- b) Review of the Devon Pension Fund Funding Strategy Statement, ensuring that the strategy has been subject to the necessary review and approval by members.

Inherent Limitations

The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Confidentiality under the National Protective Marking Scheme

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies. This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Marking

Official

Definitions

The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.

Official: Sensitive A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL – SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Definitions of Audit Assurance Opinion Levels

Definition of Recommendation Priority

Assurance Definition

Substantial Assurance	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.	High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, South Hams & West Devon, Torridge, North Devon councils and Devon & Somerset Fire and Rescue Service. We aim to be recognised as a high-quality internal audit service in the public sector. We collaborate with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In conducting our work, we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devon.gov.uk