

ACTIONS AND RECOMMENDATIONS TRACKERS

Report of the Director of Finance and Public Value

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

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

1. Summary

- 1.1. 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.

2. Trackers

- 2.1. 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.
- 2.2. Below is a summary of outstanding audit actions

Audit	Year	Actions outstanding
DPF – Change of working practises due to Covid	2021/22	1 medium
DPF – Member Training	2021/22	2 low
DPF – Risk Register	2021/22	1 low
PP – First Response Team	2021/22	4 low

3. Internal Audit Programme

3.1. Progress against this year's audit plan is summarised in the table below. A member of the audit team will attend the board meeting in October to update a verbal update to the board.

Devon Pension Fund Audit risk areas	
Employer covenant risk and bond requirements	Audit undertaken, report being drafted
Cyber Security	Commencing mid October 2022
Brunel Performance Management Reporting	Dec 22/Jan 23
The Pensions Regulator Code of Practice 14/consolidated Codes of Practice compliance (joint audit)	Awaiting new code – likely deferment to 2023/4
New Stewardship Code	Commencing mid October
Climate Risk and Environment Social Governance Reporting	Deferment to 2023/4
Peninsula Pensions Audit risk areas	
Readiness for McCloud	Commencing mid October
Cyber Security	Commencing mid October 2022
Payroll and immediate payment system	Jan 2023
Transfers out – fraud protection control	Commencing early November
Pensions Dashboard	Feb 2023
The Pensions Regulator Code of Practice 14/consolidated Codes of Practice compliance (joint audit)	Awaiting new code

3.2. Final audit reports issued so far this year are as follows

- Use of Finest
- Risk Register
- Member Training

The above reports are attached to this report.

4. Conclusion

6.1 The board is asked to note the attached action trackers.

Angie Sinclair
Director of Finance

Electoral Divisions: All

Local Government Act 1972:

List of Background Papers - Nil

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Internal Audit Report

Use of FINEST Review

Devon Pension Fund Peninsula Pensions

March 2022

Service Objective

Devon Pension Fund - 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.

Peninsula Pensions - To provide a high quality, comprehensive, end to end, pension administration and pension payroll service for over 200,000 scheme members across Devon and Somerset Administering Authorities, including LGPS, Fire and Police.

Introduction

As part of the FINEST replacement project, the Finance Transformation Team have submitted questionnaires to service users to identify what areas of FINEST processes are relevant and document anything that are not currently captured in existing FINEST processes. This information will be used by the Finance Transformation Team to inform and update the tender documentation when the authority goes out to market next year.

Peninsula Pensions have completed and submitted responses to the Finance Transformation Team. Devon Pension Fund have discussed their responses during a meeting. The Heads of Peninsula Pensions and Devon Pension Fund have asked Devon Audit Partnership to undertake a review of how FINEST is being used within the Service, ensuring that any response submitted to the Finance Transformation Team is comprehensive and verified.

Audit Scope and Objectives

The objective of the audit is to therefore: identify how FINEST is used within Peninsula Pensions and Devon Pension Fund and what functionality is considered critical within any replacement accounting package. The audit is not a risk-based review and therefore does not provide any assurance on risk and mitigation. The purpose of this report is to provide a summary for Management as to what FINEST is currently used for, identify any issues with replacing the main accounting system that could potentially be eliminated and report on any opportunities for the Service. The report will be shared with the Finance Transformation Team to inform the FINEST replacement project

The audit aimed to confirm:

1. How the teams in Peninsula Pensions and Devon Pension Fund currently use FINEST and for what purpose?
2. Whether FINEST could be used more efficiently / effectively?
3. What functionality is considered critical within any replacement accounting package?
4. What the teams would like to be able to do with a finance system that can't currently be done with FINEST?

Information has been gathered by holding discussions with relevant staff within Pensions who use FINEST, reviewing the completed survey response completed Peninsula Pensions and reviewing any previous relevant audit reports.

There are two sections within the report which invite management responses to the matters raised, and we'd ask that any written responses are returned to Alexis Saffin (alexis.saffin@devon.gov.uk).

Summary of how FINEST is being used

Discussions held with FINEST users within Devon Pension Fund, Peninsula Pensions and the Capital Accountant staff across both Peninsula Pensions and Devon Pension Fund confirmed that FINEST is used to undertake the following tasks / functions:

- Raising journals and cashbook journals, including foreign currency and sterling journals
- Raising, printing, and emailing of debtor invoices
- Raising creditor invoices and credit notes
- Submit and authorise payments to members, e.g., transfers out, death benefits
- Raising recharge invoices, e.g., strains, divorce - pension sharing order
- Cancel Cashbook Receipts, BACS Rejects and Payments
- Extract lists of unauthorised payments
- Budgeting and budget monitoring, including using collaborative planning,
- Running reports, e.g., DCDL's MIMO's, GL02, payment history enquiries and other enquiries
- Setting up and using one-time creditors
- Bank / fund reconciliations including running GL03 reports
- Transfer funds between bank accounts and uses code function CBRE to check everything matches
- Processing and monitoring of employee / employer pension contributions
- Pensions FINEST Systems Administrator Access rights
- Transferring of payment files from Altair, which downloaded and sent to an email script which is loaded overnight into FINEST
- Processing transactions on behalf of Somerset Pension Fund, which involves the production of daily reports and transfer of funds to Somerset's finance system (currently SAP)
- Setting up new codes on the coding structure
- Allocating entries. Looking up allocations and coding
- Couple of members of staff within Pensions also have access to DCC FINEST to enable them to undertake budget monitoring and processing of Peninsula Pension administration fees to Devon Pension Fund
- Interfund transfers between other LPGS funds - creditor already set up - processed as a creditor payment through "AP"
- At year end the Custodian provides a report which is run through into a database which creates journals in FINEST
- Information held in LOGOTEK (cashflow system) is journalled into Pensions FINEST on a monthly basis
- Data extraction to populate the Office for National Statistics returns
- Pulling the data through from FINEST to complete the Devon Pension Fund annual report including DCDL.

Essential requirements for the replacement finance system

The following functions were deemed essential requirements for the new finance system for business continuity and ongoing compliance with the requirements of the Local Government Pension Scheme Regulations 2013, and the Pension Regulator. We have included a column within the table below for Devon Pension Fund & Peninsula Pensions Management and / or FINEST Transformation Team Management to respond.

Peninsula Pensions	Management / FTT Response
The accounting code structure in the new system needs to be able to cross reference back to the Altair unique membership reference numbers for members and employers, e.g., retention of job numbers or equivalent	Agreed - DH
Ability to set up and use one-time creditors is essential. These are used for paying from the pension fund to individuals, such as lump sums, death benefits	Agreed – DH
Ability to download payroll /payment runs from Altair into the Finance system. Altair is hosted externally, and the download is currently done using a “script”, so this would need to be considered / developed for the new finance system.	Agreed – DH
Being a joint pension administration service for Devon and Somerset pension funds, the new finance system needs to have the ability to run specific reports that are compatible to be able to upload into Somerset’s finance system (currently SAP).	Agreed – DH
Keep the ability to email creditor and debtor invoices	Agreed – DH
Ability for Peninsula Pensions to be able to chase outstanding debt independently	Agreed – DH
Devon Pension Fund	Management / FTT Response
The new system must be able to take on board the annual report from the custodian and the transfer of this information into the new system efficiently	Agreed - CT
Data extraction to populate the Office for National Statistics returns	Agreed - CT
General	Management / FTT Response
Pensions finance system must remain a separate entity with a firewall in place in order to keep personal data secure.	Agreed - CT
Existing pensions staff will need continued access to both Devon County Council and Pensions Finance. Appropriate systems access rights to be retained within Peninsula Pensions, to enable them to continue to be able to set up: <ul style="list-style-type: none"> • new debtor entities • one-time creditors • set up new codes on the coding structure • update the access for users and set up new users (system administrator) 	Agreed – CT / DH Agreed - DH

Potential enhancement / improvements

Users of FINEST we spoke with during the review have provided some feedback as to what they would like to see the new finance system provide which would improve user experience and functionality moving forward:

- Ability to reset password from login page (if forgotten password).
- Ability to show password to check its correct.

- Being able to navigate using a mouse.
- Open two pages of the same system- multiple logins.
- Improved search functionality.
- Ability to pull the data out on a higher level, without the need for manipulating the data.
- Ability to take online card payments in Pensions, to speed up the payment of invoices.
- Ability to process cashbook journals directly into the bank account needed and not having to process these through a suspense account first.
- Ability to hold payments where employers have not fully completed the EAS5 payment information form.
- Use of datasets / templates for raising multiple creditor and debtor invoices.
- Be able to column hide or look at credits and debits separate in columns. A filter system would work well.
- For the new system to talk to BI Systems and achieve a set of accounts efficiently. It would be good to not have to manipulate the data set each time. It would be good for the data to be pre-set.
- A chart of accounts and some functionality in the new system to get a set of accounts would be useful. Pension Fund accounts are done in a series of spreadsheets. They are error prone and complicated.
- Improved flexibility within the scheme of delegation within the finance system, to speed up the faster payments through international payments / SWIFT payments for emergency / hardship payments.
- Improved cohesion between the various finance systems used.
- Improved efficiencies around Pension VAT, which is currently long-winded.
- Ability to scan cheques to the bank.
- Improved efficiencies in reporting and reporting functionality.
- Option for making bulk payments - extraction of data from Altair directly into system.

Other Observations / Issues Raised during the discussions

During our discussions there were a number of other observations / queries raised which have been included below for Pension Management and / or FINEST Transformation TEAM to consider within the project.

General	Management / FTT Response
Operationally, the raising of purchase orders would not work within Peninsula Pensions.	Agreed – DH
Pension contributions process is complicated - Employers, Employees, 50/50, Lump Sum many ways that pensions are paid in. There is a project looking into how this can be automated. The impact of this in the new finance system will need to be considered.	Agreed – DH
The replacement finance system would need to be flexible and allow elements to be added as pension work evolves and grows.	Agreed – DH
Where does Altair and State Street (Custodian) come into the flow diagram provided as part of the “call for conclusions” questionnaire sent out by the FINEST Replacement Project Board. (interdependencies).	Agreed – DH
The use of interfaces between any replacement finance system and Altair wouldn't work due to external hosting of Altair and the firewall restrictions. How would the new system deal with the transfer of this data?	Agreed – DH
Has any benchmarking been undertaken with other Local Authorities and other Local Government Pension Fund Administrators to identify what other Local Authorities are using?	Agreed – DH

Feedback from FINEST Transformation Team (FTT)

As part of the review, DAP met with the FTT Project Lead to identify what considerations had been made as part of the project in relation to meeting the needs of Pensions within the replacement finance system. The meeting confirmed that “Pensions” were consulted during the exploration stage which included the “call for conclusions” questionnaire sent out, which was sharing the draft scope and asking if there is anything missing. Peninsula Pensions had completed their questionnaire, and there has been face to face meetings with FTT from both Peninsula Pensions and Devon Pension Fund.

The Explore stage of the project has now been completed with the first draft of the scope put together and they are now moving into the design stage which is about refining the scope. This will involve going back to users and engaging into user story generation, which will include approaching different users within both Devon Pension Fund and Peninsula Pension to build those user stories, and the FTT would like to use the outcome of this review to further support the building of these.

Acknowledgements

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

Tony Rose
Head of Partnership

April 2022

Service Objective

Peninsula Pensions is the operational name for the shared administrative service of the Local Government Pension Scheme (LGPS) on behalf of Devon and Somerset Administering Authorities.

Peninsula Pensions objective is to provide a high quality, comprehensive, end to end, pension administration and pension payroll service for over 200,000 scheme members, including LGPS, Fire and Police.

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.

Direction of travel



Assurance Opinion on Risks or Areas Covered - key concerns or unmitigated risks

Risk mitigations reported as “green” in the RAG rating by Peninsula Pensions and Devon Pension Fund are as expected.

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

Direction of travel



Introduction

The Devon Local Government Pension Scheme (LGPS) is managed by Devon County Council (DCC), who act as the administering authority. DCC is responsible for the Devon LGPS Fund, which all contributions are paid into. DCC pays benefits from a dedicated pension fund, kept separate from the County Council’s services budget. Both the scheme member and their employer pay into this fund in order to provide retirement benefits for the member once they retire.

Peninsula Pensions was formed in September 2013 following the merger of pension administration services between Devon County Council and Somerset County Council. Peninsula Pensions administers all aspects of maintaining member records and calculating and paying benefits.

Both Devon Pension Fund and Peninsula Pensions control their own risk registers, which house a combined 48 risks, with over 200 mitigating controls in place.

Executive Summary

We have been able to confirm from this audit review that the risk mitigations reported as "green" in the latest risk report presented to the Pension Board dated 02/02/2022, considering the number of high risk areas across the Pension Service, are as expected, and the control framework in place across both Peninsula Pensions and Devon Pension Fund are sound.

Since 2008, Devon Pension Fund and Peninsula Pensions have had 87 risk based audits completed, with 85 being at a Good Standard / Reasonable Assurance, or higher. In addition, recommendations made by Internal Audit are being considered in decisions being made.

There is scope for a consolidation exercise that could be undertaken with the assistance of the Risk Management team, whilst developing some risks which aren't currently on the DPF register and archiving some mitigating controls or turning them into an annual review task.

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) or Arby Jones (arby.jones@devon.gov.uk). Alternatively, a meeting to discuss the report and agree the action plan should be arranged with the named auditors.

Value Added

The Auditor has identified opportunities for Devon Pension Fund and Peninsula Pensions to consolidate risks where different events are currently recorded as separate risks but lead to the same consequence.

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

Risk mitigations reported as “green” in the RAG rating by Peninsula Pensions and Devon Pension Fund are as expected.		Level of Assurance		
		Substantial Assurance		
<p>Opinion Statement: We have been able to confirm from this audit review that the risk mitigations reported as "green" in the latest risk report presented to the Pension Board dated 02/02/2022, considering the number of high risk areas across the Pension Service, are as expected, and the control framework in place across both Peninsula Pensions and Devon Pension Fund are sound.</p> <p>There are 206 mitigating controls in place to reduce the likelihood / impact of a risk in the DPF and PP risk registers, with 193 of these controls being 'Green' and 13 of these controls being 'Amber'. All audits completed by Devon Audit Partnership since 2016/17 have received a 'Good Standard' or "Reasonable" level of assurance or higher (in 20/21 we changed our assurance methodology). We are, therefore, confident that the control framework put in place across Devon Pension Fund and Peninsula Pensions is sound. Where there have been high level recommendations made from these audits, the Head of Pensions Administration has provided an update, alongside confirmation that the recommendations will be considered in relation to the working practice recommendations due to COVID.</p> <p>There was a change in the risk scoring methodology in 2018, when Pensions moved over to the Authority's risk scoring matrix, which pushed more risks into a higher category RAG rating. Discussions during the audit identified that there may be some value in revisiting the risk scoring, in which the DAP Risk Management team may be able to assist with.</p> <p>There are currently a high number of risks, and a consolidation exercise could be undertaken with the assistance of the Risk Management team, together with the development of some risks which aren't currently on the DPF register including risk of cyber-attack. Furthermore, there are a high number of mitigating controls, with some of these being marked as 'completed'. The completed ones could be turned into annual review controls to ensure they still have relevance on the risk register.</p>				
No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
1.1	Currently, there are a high number of risks recorded in the risk registers, some of which describe similar consequence but different events. Furthermore, the Devon Pension Fund risk register does not currently include "Cyber Attack" risk, whilst the Peninsula Pension risk register does.	Low	Undertake a consolidation exercise with the DAP Risk Management Team, alongside developing risks which aren't on the DPF risk register, e.g., cyber-attack.	Agreed. Cyber Security is a topic for 2022/23 audit and officers will look to update the risk register accordingly. To be completed by 31.12.22.
1.2	The risk registers sent to the board meetings are in full. This could lengthen the amount of time for admin preparing for the meeting, alongside providing information to the board which is unnecessary.	Low	There could be an exercise undertaken with the Risk Management team to adopt a Power BI dashboard, as a high level overview, for the Pensions Board / Committee members.	We believe that the information provided to the Board is necessary in order for them to fully analysis the risk register.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
1.3	The current scoring of risks haven't been reviewed since the scoring was updated in 2018. This may cause some risks to be scored higher than they are.	Low	Review inherent risk scores to see if they are up-to-date using the current risk scoring system.	Agreed. To be completed by 31.07.22

Scope and Objectives

The objective of this audit is to provide assurance to the Devon Pension Board, that the risk mitigations reported as identified as “green” in the RAG rating are as expected given the current status of the risks where the inherent risk score is high.

This audit will be undertaken as a joint review, covering both Devon Pension Fund and Peninsula Pensions.

The audit will include:

1. Review of the latest risk register and risk report presented to the latest Pension Board meeting of 2nd February 2022, to capture the latest position and RAG ratings.
2. Review the risk reports presented to the Pension Board over the last 12 months and identify any changes in risks and / or controls and associated scoring over that period.
3. Discuss the risks / scoring methodology with the risk owners and consider any improvements / changes for consideration.
4. Obtain evidence to support the risk mitigation RAG rating reported in the risk report presented to the Pension Board on 2nd February 2021.

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.
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.
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.
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.

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.
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.
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.
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, and North Devon councils. We aim to be recognised as a high-quality internal audit service in the public sector. We work 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 carrying out 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

Direction of Travel Indicators

Indicator



Definitions

R	No Progress has been made. The action plan is not being progressed at this time; actions remain outstanding.
A	Progress has been made but further work is required.
G	The action plan is being progressed though some actions are outside of agreed timescales or have stalled. Good Progress has/is being made. Good Progress has continued.

Internal Audit Report


Devon Pension Fund



Member Training and Induction

April 2022

Official



Service Objective	
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	Direction of travel
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.	

Assurance Opinion on Risks or Areas Covered - key concerns or unmitigated risks	Level of Assurance	Direction of travel
Risk 1 Non-compliance with Regulations and Guidance in respect of requirements for member training provision	Substantial Assurance	
Risk 2 Devon Pension Fund Training Plan inadequately developed, approved, published, and communicated	Substantial Assurance	
<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>		

Introduction

The Pensions Act 2004 requires that pension board members have knowledge and understanding of the law relating to pensions and trusts, and the principles relating to both the funding and investment of the assets of occupational pension schemes. The degree of knowledge must be appropriate for the purposes of enabling the individual to properly exercise the function in question.

In order to ensure compliance, in 2014, Devon Pension Fund (DPF) formally adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills. The Code identifies six areas of knowledge and skills as the core requirements for those with decision making responsibility for LGPS funds. They are:

- Pensions legislative and governance context.
- Pensions accounting and auditing standards.
- Financial services procurement and relationship management.
- Investment performance and risk management.
- Financial markets and products knowledge.
- Actuarial methods, standards, and practices.

The Code enables relevant members to consider the areas involved and whether they have the knowledge required to carry out their role and provides a basis for training new members.

Executive Summary

This audit has focussed on the control framework in relation to member training for Devon Pension Board (DPB) and Investment and Pension Fund Committee (IPFC) members. Training requirements / needs are identified each year and the Investment Manager captures this in an annual training plan.

The 2021/22 Devon Pension Fund's member training plan was found to be compliant with the requirements and guidance laid down in the Pension Regulator Code of Practice 14, and CIPFA Local Pension Board Knowledge and Skills Framework. The Auditor, in carrying out some benchmarking, has also confirmed that Devon Pension Fund has taken a consistent approach to that of other Local Authorities.

The plan has been developed in a way that targets the need of the Board and Committee members, with additional training being delivered when there is an upcoming decision that needs background information. The focus of the 2021/22 and the 2022/23 training has and will be ensuring there is a baseline fundamental knowledge throughout the Board and Committee members, with the changes in membership following the Council elections in May 2021, the delivery to which has been impacted by the Covid pandemic. It is understood that a more targeted training approach including the re-introduction of the self-assessment process to identify any knowledge or skills gaps, will be adopted for the 2023/24 training plan.

The process to publish the plan allows for critique and any amendments to be suggested, which adds a layer of depth to the creation of the plan. To keep ahead of upcoming guidance (Good Governance paper), it would be advised that all IPFC members complete the same training as the board members to help solidify their knowledge to ensure they keep making informed decisions.

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.

Following this review there are no issues or concerns that warrant inclusion in the Devon Pension Fund's Annual Governance Statement within its Annual Report.

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

1. Risk Area: Non-compliance with Regulations and Guidance in respect of requirements for member training provision		Level of Assurance		
		Substantial Assurance		
<p>Opinion Statement: Review of the training undertaken and the Devon Pension Fund's annual member training plan, training of Board members was found to be in line with the requirements of Code 14 of The Pension Regulators (TPR), Code of Practice, and have followed the CIPFA Local Pension Board Knowledge and Skills Framework in the training delivery. This includes, the formulation and delivery of an annual training plan, Board members completing the TPR Toolkit, and in respect of the Committee members, there has been targeted training delivered to support and inform the Members ahead of strategic decisions. A recent example of this was training delivered by consultants to the Committee focussing on Investment Strategy, which informed the approval of Devon's latest Investments Strategy. The delivery of training over the last two years has been impacted by the Covid pandemic, where, until recently, all meetings and training has had to be carried out remotely. During this time, Devon Pension Fund have developed a Pension Fund Training "SharePoint site, which is in the process of being rolled out (subject to resolving the access issues to those members who are external to Devon County Council).</p> <p>There is a training log maintained which captures training courses delivered as well as a list of those who have attended the training, as well as a training folder held for each member which captures any other adhoc training, and copies of the TPR toolkit completion certificates. All training undertaken is listed in the annual review of training report that is presented to the DPB and IPFC every April.</p> <p>There isn't currently any statutory requirement for members of the IPFC to undergo formal training, however, from our review of the training, it was clear that the IPFC members have had some training, (including the training referred to above). Discussions with the Investments Manager during the audit identified that there is still some of the fundamental training that needs to be delivered for the members, including all IPFC Members being encouraged to complete the online TPR toolkit. Participating in any training available to the Members would be considered to be good practice and promotes a culture of good governance. It's also likely that one of the recommendations coming out of the Good Governance Review that took place by the Scheme Advisory Board in 2019, will be that training for the Committee members will also become mandatory, and brought in line with the Board requirements.</p>				
No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
1.1	A comprehensive "Pension Fund Training" SharePoint site has been recently developed by Devon Pension Fund staff, which is due to be rolled out to all members of Devon Pension Board and Investments and Pensions Committee. However, the roll out has been delayed due to issues with access where some members are external to DCC and do not have a DCC email address.	Low	Devon Pension Fund need to continue to work with ICT to resolve the access issues and roll out the site to all members of the Board and Committee.	Agreed and already actioned
1.2	If the action plan in the Good Governance Review carried out by the Scheme Advisory Board gets agreed, recommendation D1 will require all individuals (LGPS Officers and Committee members) to have an appropriate level of knowledge and understanding to carry out their duties effectively.	Low	All members of the IPFC are encouraged to complete the TPR toolkit, along with any other fundamental training that needs to still take place.	Agreed and is reflected in the training plan

2. Risk Area: Devon Pension Fund Training Plan inadequately developed, approved, published, and communicated

Level of Assurance
Substantial Assurance

Opinion Statement:

Devon Pension Fund take a consistent approach to other local authorities in the creation of their training plan, by using the CIPFA Local Pension Board Knowledge and Skill Framework as a baseline, and then incorporating further training needs identified following completion of a training self-assessment by the members, which is used to identify knowledge and skills gaps. Bespoke training is also identified within the plan dependent of upcoming decisions that need to be made by the IPFC, to ensure that they have the understanding to inform any decision. However, due to the local elections that took place in May 2021, the 21/22 training plan has focused on the fundamental knowledge required for new members, as will the new 22/23 plan, as the delivery of the training during 21/22 has been hampered by Covid. The Investment Manager is keen to re-instate the self-assessment process to identify any skills and knowledge gaps and use this to inform future training plans again.

The process to get the training plan approved allows for critique of the plan, alongside incorporating any amendments deemed appropriate by the Board and Committee. This creates a further comprehensive layer to ensure that the training plan covers the need to everyone involved. Once agreed, the plan is communicated and published within Board / Committee meetings, with it being available in the public domain. Publishing the training plan on the training SharePoint site will provide another forum for accessing the training plan.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
2.1	The process used to develop the training plan, which includes self-assessment forms, is generally a sound method. It allows for tailored training to best help the members develop in areas where they identify as needing to increase their knowledge. Due to the change of committee members in 2021, there is a need to deliver the fundamental knowledge training to ensure all members have the baseline knowledge before conducting a GAP analysis for specific areas of training.	Low	Incorporate the use of self-assessment forms for new members to allow the training plan, of fundamental knowledge, to also focus on areas where the members need it.	Self-assessment forms/survey will be issued early September. Results will feed into subsequent training days. Target Date - 30.09.2022
2.2	The process to approve, publish and communicate the training plan is clear and robust. The training plan is developed by an Investment Manager, using the GAP analysis tool and / or fundamental training for new members, and then presented to the board to review and amend. Once reviews have been made, the plan is signed off by the committee and published on the Democracy website for all Board and Committee Members to access via the minutes. Furthermore, the previous year's training is logged within the annual report.	Low	There is scope to link the current year's training plan on the DPF training SharePoint site to make the plan as accessible as possible.	Agreed Target date: 31.07.2022

Scope and Objectives

The objective of this review is to provide the client with an audit opinion on the control framework in relation to member training for Devon Pension Board and Investment and Pension Fund Committee members.

Including in relation to:

1. The authority's approach to training provision for new and existing Board and Committee members
2. The authority's use of self-assessment training tool and monitoring thereof.
3. The suitability and format of training as set out within the 2021/22 Member training plan, including how this is agreed, monitored, and reported on to Members and senior management.
4. The suitability of the new Pension Fund Training SharePoint site that has been set up for 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.
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.
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.
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.

High
Medium
Low
Opportunity

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.

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.

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.

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, and North Devon councils. We aim to be recognised as a high-quality internal audit service in the public sector. We work 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 carrying out 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

Direction of Travel Indicators

Indicator



Definitions

No Progress has been made.

The action plan is not being progressed at this time; actions remain outstanding.

Progress has been made but further work is required.

The action plan is being progressed though some actions are outside of agreed timescales or have stalled.

Good Progress has/is being made.

Good Progress has continued.