

**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD – 24<sup>th</sup> JUNE 2019**

**REPORT ON: TAYSIDE PENSION FUNDS REVIEW OF INTERNAL CONTROLS 2018/19**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 239-2019**

**1 PURPOSE OF REPORT**

To submit to the Sub-Committee the Review of Internal Controls 2018/19 prepared by the Council's External Auditor, Audit Scotland.

**2 RECOMMENDATIONS**

The Sub-Committee is asked to note Audit Scotland's report and to approve the management response.

**3 FINANCIAL IMPLICATIONS**

None.

**4 MAIN TEXT**

4.1 The report summarises the findings from Audit Scotland's interim audit of the Tayside Pension Fund's internal controls. These findings have been discussed with management and their response is contained within appendix 1 of the report. The implementation of the agreed management actions will be monitored, with progress being reported to the Sub-Committee in due course.

**5 POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

**6 CONSULTATIONS**

The Chief Executive and Head of Democratic and Legal Services has been consulted on the content of this report and are in agreement with the contents.

**7 BACKGROUND PAPERS**

None

**GREGORY COLGAN  
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**13 JUNE 2019**



## Tayside Pension Fund - Review of internal controls 2018/19

1. Audit Scotland's Code of Audit Practice requires us to assess the systems of internal control put in place by management. In carrying out this work, we seek to gain assurance that Dundee City Council, as administering authority for Tayside Pension Fund:

- has systems for recording and processing transactions which provide a sound basis for the preparation of financial statements and the effective management of its assets and interests
- has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption
- complies with established policies, procedures, laws and regulation.

2. All our outputs and any matters of public interest will be published on our website:

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

### Conclusion

3. During our interim audit work we identified two minor control weaknesses which we are required to report to management under our Code of Audit Practice responsibilities. However, these control weaknesses have not impacted on our planned audit approach as they either do not represent a risk of material misstatement for the 2018/19 annual accounts, or we had already planned to undertake sufficient testing to address the risk of material misstatement.

### System coverage

4. Our interim audit work focused on the key controls over the systems used for pension administration activity and the pension fund's investments.

5. The Fund also uses the financial systems of the administering authority, Dundee City Council. The main council systems used by the Fund are the general ledger system and the payroll system. Our review of the controls in operation within these systems has been conducted as part of our audit of Dundee City Council.

### Audit findings

6. The issues identified from our interim testing are detailed in [appendix 1](#) along with the management response and any resultant action.

### Risk identification

7. The issues identified in preparing this management letter are only those which have come to our attention during our normal work and are not necessarily, therefore, all the risk areas that may exist. It remains the responsibility of management to determine the extent of the internal control system. We would stress, however, that an effective system of internal control is an essential part of the efficient management of any organisation.

### Acknowledgement

8. The contents of this letter have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit from the Fund is gratefully acknowledged.

Yours sincerely



**Richard Smith**



## Senior Audit Manager

## Appendix 1 - Findings and action plan

Issue identified / risk	Management response	Responsible officer and target date
<p><b>Pensioner bank detail changes</b> Changes to pensioner bank details are processed on receipt of a signed letter from the pensioner without any additional checks or verification that the request is genuine.</p> <p><b>There is a risk that fraudulent bank detail change requests could be processed.</b></p>	<p>Documentation for bank account changes are held within Altair and updated on Resourcelink. Currently a letter confirming changes to bank details is issued to the pensioner.</p> <p>If the pensioner has previously provided a contact telephone number, we will endeavour to contact them to verify the change or alternatively communicate using PensionsWeb.</p>	<p>Financial Services – Senior Manager</p> <p>June 2019</p>
<p><b>Journal authorisation</b> During the first 9 periods of 2018/19 we identified that manual journals processed by the administering authority, including those relating to the Fund, did not require to be routinely checked and authorised by a second officer.</p> <p><b>There is a risk that erroneous journals during this period may not have been identified and corrected.</b></p>	<p>After a period of journal testing during 2018 calendar year, a dual authorisation journal process was implemented in January 2019.</p> <p>All journals are now authorised by a second officer.</p>	<p>Financial Services – Senior Manager</p> <p>January 2019</p>

