



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Head of Audit and Inspection

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Item 10

4th March 2020

INTERNAL AUDIT PLAN 2020/21

Purpose of Report:

To inform the Committee of the outputs which Members and senior officers can expect from Internal Audit in 2020/21 and to seek the agreement of the Committee to implement the Audit Plan for 2020/21.

Recommendations:

Members are asked to agree to the implementation of the Strathclyde Pension Fund Audit Plan for 2020/21.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes No consulted: Yes No

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Annual Audit Plan 2020/21

1. Introduction

- 1.1 The Public Sector Internal Audit Standards require the Chief Internal Auditor to submit the annual audit plan to an appropriate Committee. This report outlines the proposed annual audit plan for the Strathclyde Pension Fund for 2020/21.

2. Background

- 2.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion on the control environment within the Strathclyde Pension Fund. The annual audit plan is designed to assist the Head of Audit & Inspection in formulating that opinion.

- 2.2 In developing the annual audit plan, we:

- Consolidated our understanding of the Strathclyde Pension Fund through discussions with senior management and a review of key strategic documentation;
- Consulted risk registers to understand the nature of inherent risks facing the Strathclyde Pension Fund; and
- Considered previous audit recommendations and reviewed the assurance map to identify other internal and external factors.

- 2.3 Internal Audit work will be undertaken in accordance with the Public Sector Internal Audit Standards which have been adopted by the Relevant Internal Audit Standard Setters (RIASS). The RIASS includes, among others, HM Treasury, the Scottish Government and the Chartered Institute of Public Finance and Accountancy (CIPFA).

3. Approach

- 3.1 The audit plan shows the outputs which members of the Committee and management can expect from Internal Audit during 2020/21. For each audit assignment, we will agree a terms of reference with management prior to commencing fieldwork. A summary of our findings will be agreed in draft with management, prior to reporting to this Committee.

- 3.2 Our reports will include a summary of main audit findings, highlighting any control weaknesses and recommendations for improvement. Any significant area of control weakness will be reported in the Annual Assurance Statement.

- 3.3 The Public Sector Internal Audit Standards require that the audit plan should be kept under review to reflect any changing priorities and emerging risks. We will therefore ensure the plan remains relevant and reflects any changes to the inherent risks at the Strathclyde Pension Fund. The Committee will be asked to approve any material adjustments to the audit plan.

4. Internal Audit Outputs in 2020/21

- 4.1 The main output from Internal Audit in 2020/21 will be the Head of Audit & Inspection's annual report. This provides assurance to the Committee, and senior management on matters of governance and internal control within the Strathclyde Pension Fund.
- 4.2 The annual report will be based principally on the work undertaken by Internal Audit during the year to complete the audit plan.
- 4.3 The key areas we will cover in 2020/21, and on which we will provide assurance, are shown in Appendix 1, together with the main control risks associated with these areas.
- 4.4 Glasgow City Council participates in the National Fraud Initiative (NFI) which is a nationwide data matching function undertaken by NFI on behalf of Audit Scotland. Strathclyde Pension Fund Office staff are responsible for investigating data matches notified to it by NFI.

5. Indirect Audit Outputs in 2020/21

- 5.1 There are a number of other audits undertaken by Internal Audit, which although not directly undertaken for the Pension Fund, will cover processes or procedures which affect the administration of the Fund, and which the Head of Audit and Inspection will consider as part of the Annual Assurance Statement.

6. Resources

- 6.1 In 2020/21, 50 days are available to carry out the planned assurance audit work.
- 6.2 We have identified a dedicated team to deliver the internal audit plan to the Strathclyde Pension Fund however we are able to draw upon additional audit and specialist resources as required.

Assurance Area	Planned Internal Audit Activity	Link to Risks (where applicable)
Governance	<p>Governance of Projects within the Business Plan</p> <p>To gain assurance that there are effective governance arrangements in place to monitor and deliver the projects within the Business Plan and that progress is reported to the Board and Committee.</p> <p>To include areas such as:</p> <ul style="list-style-type: none"> - Guaranteed Minimum Pension reconciliation - Investment governance framework 	<p>SPFO57 RISK: Failure to complete GMP reconciliation exercise. CAUSE: DWP withdrawal of service. EFFECT: Over/underpayment of pensions. Liability for any net cost. Reputational damage. Action by the Pensions Regulator.</p> <p>SPFO01 RISK: Fund's investments fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term. CAUSE: Macro economic. EFFECT: Long-term underfunding; significant increase in employer contribution rates.</p>
	<p>Information Technology</p> <p>To gain assurance that there are effective arrangements in place in relation to IT that support the delivery of the functions within the Strathclyde Pension Fund Office.</p>	<p>SPFO23 RISK: Issues with pensions administration system and other related systems. CAUSE: Outages, hardware and software failure, cyber attack. EFFECT: Staff downtime, loss of service delivery, data loss, and potential failure to pay pensions.</p>

Assurance Area	Planned Internal Audit Activity	Link to Risks (where applicable)
Follow up	Audit the progress against Internal Audit recommendations, undertaking additional testing as required. Summary progress updates will be reported to the Board and Committee	n/a
Head of Audit's Annual Opinion		n/a

7. Policy and Resource Implications

Resource Implications:

<i>Financial:</i>	Internal Audit services are included within the Central Support Services cost.
<i>Legal:</i>	None
<i>Personnel:</i>	None
<i>Procurement:</i>	None

Council Strategic Plan: To provide assurance on the Strategic Plan in relation to the SPFO.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2017-21 No specific proposals are included within this report.

What are the potential equality impacts as a result of this report? (no significant impact, positive impact or negative impact)

Please highlight if the policy/proposal will help address socio economic disadvantage. There are no equality impacts as a result of this report as this details the audit plan for the next financial year.

Sustainability Impacts:

<i>Environmental:</i>	None
<i>Social, including opportunities under Article 20 of the European Public Procurement Directive:</i>	None
<i>Economic:</i>	None

Privacy and Data Protection impacts: None

8. Recommendations

- 8.1 Members are asked to agree to the implementation of the Strathclyde Pension Fund Audit Plan for 2020/21.