
SCOTTISH BORDERS COUNCIL PENSION FUND INTERNAL AUDIT ANNUAL PLAN 2021/22

Report by Chief Officer Audit & Risk

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

4 March 2021

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to present for approval the Internal Audit Annual Plan 2021/22 for the Scottish Borders Council Pension Fund to enable the Chief Officer Audit & Risk to provide the required audit opinion on the adequacy of the Scottish Borders Council Pension Fund's overall control environment.**
- 1.2 The Public Sector Internal Audit Standards (PSIAS) requires the Chief Audit Executive (CAE), the Council's Chief Officer Audit & Risk, to establish risk-based plans to set out the areas of Internal Audit activity, consistent with the objectives of the Pension Fund.
- 1.3 A fundamental role of the Internal Audit function is to provide senior management and members with independent and objective assurance, which is designed to add value and improve the organisation's operations. In addition, the CAE is also required to prepare an Internal Audit annual opinion on the adequacy of the organisation's overall control environment.
- 1.4 The proposed Internal Audit Annual Plan 2021/22 for the Pension Fund in Section 4.2 sets out the range and breadth of audit areas and sufficient audit activity to enable the CAE to prepare an Internal Audit annual opinion for the Pension Fund. Key components of the audit planning process include a clear understanding of the organisation's functions, associated risks, and assurance framework.
- 1.5 There are resources currently in place to achieve the Internal Audit Annual Plan 2021/22 for the Pension Fund and to meet its objectives.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Pension Fund Committee and Pension Fund Board approve the Scottish Borders Council Pension Fund Internal Audit Annual Plan 2021/22.**

3 BACKGROUND

- 3.1 The SBC Internal Audit function follows the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 (updated 2017). The key standards within the PSIAS which relate to the preparation of the internal audit plan are summarised below:
- Standard 2010 – Planning which states that “the chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”
 - Standard 2020 – Communication and Approval which states that “the chief audit executive must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.”
- 3.2 Key components of the audit planning process include a clear understanding of the Pension Fund Committee and Board roles and responsibilities, priorities, plans, strategies, objectives, risks and mitigating controls, and the internal and external assurances provided to determine the potential range and breadth of audit areas for inclusion within the plan, consistent with the organisation’s goals. This exercise is informed by key developments at both a national and local level and other relevant background information.
- 3.3 The Internal Audit work for 2021/22 has been informed by the risks, controls and mitigation actions as set out within the Pension Fund’s Risk Register to ensure that Internal Audit plans are risk-based and provide relevant assurance for the Pension Fund.
- 3.4 The Council’s Executive Director Finance & Regulatory, Service Director HR and Communications, HR Shared Services Manager, and Pension and Investment Manager have been consulted to capture potential areas of risk and uncertainty more fully. These discussions will continue on a regular basis to ensure Internal Audit assurance meet the needs of Management and other key stakeholders of the Pension Fund.
- 3.5 Internal Audit resources are outlined in the Council’s Internal Audit Annual Plan 2021/22 to be approved by SBC’s Audit and Scrutiny Committee on 9 March 2021. A total of 5 days have been allocated to provide Internal Audit services to the Scottish Borders Council Pension Fund, which reflects the Council’s contribution of corporate support resources.
- 3.6 Staff assigned to perform the Pension Fund Internal Audit work hold relevant professional qualifications and have the necessary experience, knowledge, skills and competencies (such as the Code of Ethics set out in PSIAS) needed to deliver the plan.

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- 4.1 In summary the Internal Audit work for 2021/22 is designed to encompass:
- a) An appraisal of the operation of corporate governance and risk management arrangements;
 - b) A review of key controls including pension administration and financial management arrangements in place;
 - c) A review of performance against objectives, including relevant performance information.

4.2 The plan below gives an indication of the areas we plan to cover:

Category	Our planned audit approach and coverage within 2021/22
Internal Audit assurance on corporate governance and risk management	<p>We will attend the Joint meetings of the Pension Fund Committee and Pension Fund Board to observe planning, approval, monitoring and review activity of Scottish Borders Council Pension Fund.</p> <p>We will assess the Pension Fund’s corporate governance and risk management arrangements in place to deliver its objectives set out in its Business Plan. We will use the Pension Fund’s Governance Policy and Compliance Statement (most recently presented within the Annual Report and Accounts 2019/20) as an integrated toolkit to test key elements to determine whether these are operating as described.</p> <p>We will consider and apply National Reports that give rise to introducing best practice arrangements or lessons learned from other organisations to enable Management to evidence improvements in practices on a continuous basis.</p>
Internal Audit assurance on financial governance and key controls	<p>We will use Internal Audit work over the systems and controls in place at Scottish Borders Council that cover the same systems for the Pension Fund to ensure transactions are valid, complete and accurate. Specifically the Business World ERP System Key Controls, an integration of 4 audits relating to the work streams Record to Report (core General Ledger and Management Reporting), Procure to Pay; HR/Payroll (including Pensioner Payments), and Sales to Cash.</p> <p>We will follow-up on progress on areas of improvement recommended in 2020/21 audit assurance work.</p>
Internal Audit assurance on business plan improvements and developments	<p>We will assess whether the Business Plan is aligned to Pension Fund priorities and objectives, and specifically review progress with the Implementation of self-service facility, and System improvements to support home working.</p>

5 REPORTING OF INTERNAL AUDIT RESULTS

- 5.1 The Internal Audit Annual Plan 2021/22 for the Pension Fund includes sufficient work to enable SBC’s Chief Officer Audit & Risk to prepare an annual independent and objective audit opinion on the adequacy of the arrangements for risk management, governance and control.
- 5.2 At the end of the year, the Internal Audit Annual Assurance Report 2021/22 for the Pension Fund will be presented to Management and to the Pension Fund Committee and Board, for governance and scrutiny purposes. The assurance report will include: the statutory audit opinion based on the Internal Audit work during the year; the results from each audit category outlining the risks, controls and conclusions; progress with implementation and outcomes of agreed improvement actions; and any recommendations that have been made, with the associated Management response, responsible owner and timescale for implementation.
- 5.3 The Internal Audit findings and annual opinion will be used to inform the Pension Fund’s Governance Compliance Statement for inclusion in the Pension Fund’s Annual Report and Accounts.

6 IMPLICATIONS

6.1 Financial

There are no financial implications relating to this assurance report.

6.2 Risk and Mitigations

The Pension Fund Risk Register was considered as part of the planning process. This report sets out the Internal Audit plan in section 4 that will provide assurance, including assurance on arrangements for managing risks, as part of the governance framework to manage the operation of the Pension Fund and reflects best practice.

6.3 Integrated Impact Assessment

This is a routine good governance report for assurance purposes, required under the Local Authority Accounts (Scotland) Regulations 2014 and the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017). It does not relate to new/amended policy/strategy and an integrated impact assessment is not an applicable consideration.

6.4 Acting Sustainably

There are no direct economic, social or environmental issues in this report

6.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

6.6 Rural Proofing

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

6.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

7 CONSULTATION

- 7.1 The Council's Executive Director Finance & Regulatory, Service Director HR & Communications, HR Shared Services Manager, and Pension and Investment Manager have been consulted to capture potential areas of risk and uncertainty more fully. These discussions will continue on a regular basis to ensure Internal Audit assurance meet the needs of Management and other key stakeholders of the Pension Fund.
- 7.2 The Council's Executive Director Finance & Regulatory, Chief Legal Officer (Monitoring Officer), Service Director HR & Communications, Clerk to the Council, and Communications team have been consulted on this report and any comments received have been incorporated into the report.

Approved by

Jill Stacey
Chief Officer Audit & Risk

Signature

Author(s)

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Background Papers: Appropriate Internal Audit files

Previous Minute Reference: Joint Pension Fund Committee and Pension Fund Board, 10 March 2020

Note – You can get this document on tape, in Braille, large print and various computer formats by using the contact details below. Information on other language translations can also be given as well as provision of additional copies.

Contact us at Internal Audit intaudit@scotborders.gov.uk

Joint Pension Fund Committee and Pension Fund Board 4 March 2021