
SCOTTISH BORDERS COUNCIL PENSION FUND INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2021/22

Report by Chief Officer Audit and Risk

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

29 June 2022

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to present the Scottish Borders Council Pension Fund Internal Audit Annual Assurance Report 2021/22, which includes the Chief Officer Audit & Risk's independent assurance opinion on the adequacy of the Scottish Borders Council Pension Fund's overall control environment.**
- 1.2 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Officer Audit & Risk provides an annual internal audit opinion and report on the adequacy and effectiveness of the Pension Fund's governance, risk management and internal controls to support the preparation of the Pension Fund's Governance Compliance Statement.
- 1.3 To meet the requirements of the PSIAS the Scottish Borders Council Pension Fund Internal Audit Annual Assurance Report 2021/22 includes the required Internal Audit annual opinion, provides details of the Internal Audit activity during the year to support the opinion, and states the conformance of the Council's Internal Audit service with the PSIAS.
- 1.4 The Chief Officer Audit & Risk's opinion is that the systems of internal control operating within the Scottish Borders Council Pension Fund during 2021/22 are sound, and governance and risk management arrangements are effective.
- 1.5 **The independent assurance opinion has been incorporated within the Pension Fund's Governance Compliance Statement within the Annual Report and Accounts for the year to 31 March 2022.**

2 RECOMMENDATIONS

- 2.1 I recommend that the Joint Pension Fund Committee and Pension Fund Board acknowledges the independent assurance provided on internal controls and governance arrangements as set out in the Scottish Borders Council Pension Fund Internal Audit Annual Assurance Report 2021/22.**

3 BACKGROUND

- 3.1 The Joint Pension Fund Committee and the Pension Fund Board approved the Internal Audit Annual Plan 2021/22 for the Scottish Borders Council Pension Fund at its meeting on 04 March 2021. The Internal Audit Annual Plan sets out the range and breadth of audit areas and sufficient audit activity to enable the Chief Officer Audit and Risk to provide the required audit opinion on the adequacy of the Scottish Borders Council Pension Fund's overall control environment.
- 3.2 The Public Sector Internal Audit Standards (PSIAS) (2017) requires that:
"The chief audit executive [SBC's Chief Officer Audit & Risk] must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."

4 SCOTTISH BORDERS COUNCIL PENSION FUND INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2021/22

- 4.1 The Chief Officer Audit & Risk's opinion is that the systems of internal control operating within the Scottish Borders Council Pension Fund during 2021/22 are sound, and governance and risk management arrangements are effective.
- 4.2 During 2021/22 the Internal Audit work included:
- 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.
- 4.3 The Fund has effective governance arrangements in place through the joint meetings of the Pension Fund Committee and the Pension Fund Board that support scrutiny and transparency of decisions made. A Skills and Knowledge self-assessment is carried out annually by Members, a Training Plan is proposed to meet those needs, and Members' participation in training events is monitored to ensure Training policy commitments are met. Risk Management is fully embedded into the culture of the Pension Fund with evidence of risk deliberations in decision-making and regular reviews / updates of the Pension Fund risk register being carried out and reported to the joint meetings of the Committee and Board to demonstrate appropriate scrutiny and oversight of risk management.
- 4.4 There was no specific testing of Pensioner Payroll payments within Internal Audit work on Business World ERP System Key Controls which focused on new areas of system functionality. Reliance can be placed on the previous

year's Internal Audit work which concluded comprehensive assurance on key controls and processes to ensure that payroll transactions are valid, complete and accurate. Internal Audit reviewed reports associated with Pensions resulting from the National Fraud Initiative (NFI) Data Matching exercise for 2020/2021. This highlighted one discrepancy, which is currently under investigation to ascertain whether this is the result of error or fraud.

- 4.5 Best practice suggested that having a Business Plan for the Pension Fund was a good way of demonstrating compliance with the "Myners Principle" relating to effective decision making. The Business Plan 2021/22 to 2023/24 for the Pension Fund was approved by the Joint Pension Fund Committee and Pension Fund Board on 10 June 2021. It identified an Action Plan which would be delivered during the next three years to support the aims and objectives of the Pension Fund. The HR Shared Services Manager gave a demonstration of the Self Service Pension System under development at the joint Committee and Board meeting on 16 September 2021. This system would save considerable time for the Pension Administration team, and provide pension scheme members with a valuable tool. A Business Plan Performance Update, outlining progress on the Business Plan actions at mid-year, was presented to the Joint Pension Fund Committee and Pension Fund Board meeting on 14 December 2021. Quarter Performance Updates are presented in private by the Investment Advisor at the joint Committee and Board meetings. Pension Administration Performance is reported annually to the joint Committee and Board for its inclusion in the Fund's Annual Report and Accounts.
- 4.6 Internal Audit were involved in the testing phase of the Member Self Service facility (MSS) which has been developed for members of the Council's pension fund. This provides direct access for active and deferred scheme members to view personalised pension data on the portal and was completed in time for the Annual Benefit Statement issue. Work is ongoing to increase uptake.
- 4.7 External access to Business World ERP system for pension members to view payslips and P60s is in place. Work continues to promote this facility.
- 4.8 The Internal Audit Annual Assurance Report 2021/22 has been used to inform the Pension Fund's Annual Governance Statement 2021/22, and the Chief Officer Audit & Risk's independent assurance opinion has been incorporated within the Pension Fund's Governance Compliance Statement within the Annual Report and Accounts for the year to 31 March 2022.
- 4.9 The 2021/22 annual internal self-assessment against the Public Sector Internal Audit Standards (PSIAS) demonstrates sufficient evidence that the Council's Internal Audit section conforms with the Definition of Internal Auditing, Code of Ethics, Attribute Standards and Performance Standards.

5 IMPLICATIONS

5.1 Financial

There are no financial implications relating to this assurance report.

5.2 Risk and Mitigations

This report provides assurance, including assurance on arrangements for managing risks in section 4, as part of the governance framework to manage the operation of the Pension Fund, and reflects best practice.

5.3 Integrated Impact Assessment

This is a routine good governance report for assurance purposes, required under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014. This report does not relate to new or amended policy or strategy and as a result an integrated impact assessment is not an applicable consideration.

5.4 Sustainable Development Goals

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals, based on completion of the checklist.

5.5 Climate Change

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

5.6 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.

5.7 Data Protection Impact Statement

There are no personal data implications arising from the content of this report.

5.8 Changes to Scheme of Administration or Scheme of Delegation

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

6 CONSULTATION

6.1 The Internal Audit Annual Assurance Report 2021/22 has been used to inform the Pension Fund's Annual Governance Statement 2021/22, and the Chief Officer Audit & Risk's independent assurance opinion has been incorporated within the Pension Fund's Governance Compliance Statement within the Annual Report and Accounts for the year to 31 March 2022.

6.2 The Director - Finance & Corporate Governance, Chief Legal Officer (and Monitoring Officer), Director – People Performance and Change, Clerk to the Council, Pensions & Investments Manager, HR Shared Services Manager, and Communications team have been consulted on this report and any comments received have been taken into account.

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 & Board 4 March 2021

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.

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