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## **INTERNAL AUDIT ANNUAL PLAN 2023/24 FOR THE SCOTTISH BORDERS COUNCIL PENSION FUND**

**Report by Chief Officer Audit & Risk**

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### **JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD**

**9 March 2023**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 The purpose of this report is to present for approval the Internal Audit Annual Plan 2023/24 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 2023/24 for the Pension Fund in Appendix 1 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 2023/24 for the Pension Fund and to meet its objectives.

#### **2 RECOMMENDATIONS**

- 2.1 I recommend that the Joint Pension Fund Committee and Pension Fund Board:**
  - a) Approve the Internal Audit Annual Plan 2023/24 for the Scottish Borders Council Pension Fund; and**
  - b) Note that any changes in-year will be brought back for its approval.**

### **3 BACKGROUND**

- 3.1 The Scottish Borders Council Internal Audit function follows the professional standards as set out in the 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 associated with pension funds.
- 3.3 The Internal Audit Charter and Internal Audit Strategy associated with Scottish Borders Council’s Internal Audit function, to be presented for approval by SBC’s Audit Committee on 13 March 2023, are applicable to the Scottish Borders Council Pension Fund. The Internal Audit Strategy outlines the strategic direction for how the Internal Audit function will achieve its objectives, which are set out in the Internal Audit Charter, in conformance with PSIAS. It guides the Internal Audit function in delivering high quality Internal Audit services to various entities, including the Scottish Borders Council Pension Fund.

### **4 INTERNAL AUDIT ANNUAL PLAN 2023/24 FOR THE SCOTTISH BORDERS COUNCIL PENSION FUND**

- 4.1 The Internal Audit proposed work for 2023/24 has been informed by the risks, controls and mitigation actions as set out within the Pension Fund’s Risk Register to ensure that the Internal Audit plan is risk-based and provides relevant assurance for the Pension Fund. Internal Audit work will take account of the planned refocus on the risk register.
- 4.2 The Internal Audit Annual Plan 2023/24 at Appendix 1 has been developed by the Chief Officer Audit & Risk (CAE) and the Principal Internal Auditor of Scottish Borders Council. It sets out the range and breadth of audit activity and sufficient work to enable the CAE to prepare an Internal Audit annual opinion for the Scottish Borders Council Pension Fund.
- 4.3 The Acting Chief Financial Officer and HR Shared Services Manager of Scottish Borders Council, and the Head of Governance at ISIO 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.

- 4.4 Internal Audit resources relating to the provision of assurance services to the Scottish Borders Council Pension Fund are outlined in the Scottish Borders Council Internal Audit Annual Plan 2023/24, which will be presented for approval by SBC's Audit Committee on 13 March 2023. A total of 20 days have been allocated to provide Internal Audit assurance services to the Scottish Borders Council Pension Fund for 2023/24, which reflects the Council's contribution of corporate support resources. This allocation of Internal Audit days has increased from 5 days previously to reflect the increase in the range and breadth of audit work proposed for the Pension Fund during 2023/24 which has been discussed with relevant Officers; this is in response to 'The Pensions Regulator Single Code Review and Recommendations' report that was presented to the Joint Pension Fund Committee and Board meeting on 13 December 2022.
- 4.5 Staff assigned to perform the Internal Audit work for the Pension Fund 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.
- 4.6 It is envisaged that 2023/24 will continue to be a year of change for the Pension Fund. Therefore the Plan should be considered to be flexible and will be periodically reviewed, and amended as required, to reflect any new arrangement or changing risks and priorities. Any amendments relating to the Pension Fund will be discussed with relevant Officers and will be brought to the Joint Pension Fund Committee and Board for approval.

## **5 REPORTING OF INTERNAL AUDIT RESULTS**

- 5.1 The Internal Audit Annual Plan 2023/24 for the Pension Fund includes sufficient work to enable SBC's Chief Officer Audit & Risk (the appointed Chief Internal Auditor to the Pension Fund) to prepare an annual independent and objective audit opinion on the adequacy of the Scottish Borders Council Pension Fund's arrangements for risk management, governance and control.
- 5.2 At the end of the year, the Internal Audit Annual Assurance Report 2023/24 for the Scottish Borders Council Pension Fund will be presented to Management and to the Joint 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 Scottish Borders Council Pension Fund's Governance Compliance Statement for inclusion in the Scottish Borders Council 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 Appendix 1 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**

There is no relevance to Equality Duty or the Fairer Scotland Duty for this report. 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 Sustainable Development Goals**

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals.

### **6.5 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.

### **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 Data Protection Impact Statement**

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

### **6.8 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.

## **7 CONSULTATION**

7.1 The Acting Chief Financial Officer and HR Shared Services Manager of Scottish Borders Council, and Head of Governance at ISIO, have been consulted on the proposed coverage within the Internal Audit Annual Plan 2023/24 for the SBC Pension Fund 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 In addition, Scottish Borders Council's Interim Chief Officer Corporate Governance (and Monitoring Officer), the Director People, Performance and Change, the Clerk to the Council and Corporate Communications have been consulted and any comments received have been incorporated into the final report.

**Approved by**

**Jill Stacey, SBC Chief Officer Audit and 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, 17 March 2022

**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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