

The background of the slide features a large, light blue watermark of the University of Alberta crest. The crest is a shield with a crown on top. The shield is divided into four quadrants: top-left shows a castle tower, top-right shows a stag's head with antlers, bottom-left shows a three-masted sailing ship on waves, and bottom-right shows an eagle with wings spread. A banner at the bottom of the shield contains the motto 'ANNE FOR A'.

**AGENDA ITEM**

**5**

**Pension Fund Internal  
Audit Plan 2017/18**

**Falkirk Council**

**Title:** Pension Fund - Internal Audit Plan 2017/18  
**Meeting:** Joint Meeting of Pensions Committee and Pension Board  
**Date:** 16 March 2017  
**Submitted By:** Internal Audit Manager

**1. Purpose of Report**

1.1 This report proposes a Falkirk Council Pension Fund Internal Audit Plan for 2017/18 and seeks Pensions Committee and Pension Board approval of that Plan.

**2. Recommendation**

**2.1 It is recommended that Pensions Committee and Pension Board:**

- **agrees the proposed Falkirk Council Pension Fund Internal Audit Plan 2017/18; and**
- **notes that an Annual Assurance Report will be provided.**

**3. Development of the Falkirk Council Pension Fund Internal Audit Plan**

3.1 Annual Internal Audit coverage is based on discussion with the Pensions Manager, review of relevant documentation (eg the Pension Fund Risk Register, Governance Policy), and Internal Audit's own assessment of risk. We also take account of the planned work by the Pension Fund's external auditors.

3.2 In addition, Internal Audit review, on an ongoing basis, emerging and developing risks, and these are built into our Audit Needs Assessment for consideration in current and future years' Internal Audit Plans.

**4. Planned Internal Audit Work and Reporting Arrangements**

4.1 Internal Audit's work during 2017/18 will include Pension Fund Transactional Testing. The purpose of the work will be to ensure that:

- new member contributions to the Pension Fund were properly calculated;
- the correct values of pension rights either transferred into, or out of, the Pension Fund have been received or paid;

- the correct pension payments were paid to retiring Fund members; and
  - the correct lump sum payments were made in respect of deceased Fund members.
- 4.2 Our work will also include a review of Pension Fund governance. We will ensure the Governance arrangements are in line with the Fund Governance Policy. This will include the roles and responsibilities of the Pensions Committee and Pension Board, and professional advisors.
- 4.3 In addition, we will provide assurance on the data security and management arrangements for the Altair Pensions Administration System. This will include the arrangements for: access management; the security of any data transfers; and the quality and continuity of service provision.
- 4.4 For these three audits, a more detailed Terms of Reference will be agreed with the Pensions Manager prior to the audit fieldwork starting. This will set out key risks, and the scope of work.
- 4.5 On completion of the audit work, Internal Audit will issue a draft report to the Pensions Manager. This will include an opinion on the adequacy of risk management, governance, and control arrangements in the area under review, and an action plan setting out any recommendations for improvement. The report and completed action plan will then form the final record of the assignment, with the implementation of recommendations monitored via the Covalent system. The overall assurance will be provided in line with the definitions set out at Appendix 1.
- 4.6 On an annual basis, an Internal Audit Annual Assurance Report will be presented to the Pensions Committee and Pension Board. This will give an overall opinion on the Falkirk Council Pension Fund's risk management, governance, and control arrangements, based on Internal Audit work carried out over the course of the year.

## **5. Implications**

### **Financial**

- 5.1 There are no financial implications.

### **Resources**

- 5.2 There are no resource implications.

### **Legal**

- 5.3 There are no legal implications.

### **Risk**

- 5.4 The role of Internal Audit is to provide the Pensions Committee and Pension Board with assurance on the Falkirk Council Pension Fund's arrangements for

risk management, governance, and control. Recommendations made by Internal Audit aim to reduce or mitigate risk to which the Fund may be exposed.

### **Equalities**

5.5 An equality and poverty impact assessment was not required.

### **Sustainability / Environmental Impact**

5.6 A sustainability / environmental assessment was not required.

## **6. Conclusions**

6.1 The programme of work set out in this Internal Audit Plan 2017/18 will allow Internal Audit to provide a balanced and evidenced based assurance to the Pensions Committee and Pension Board on the Falkirk Council Pension Fund's arrangements for risk management, governance, and control.

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Internal Audit Manager

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**Date:** 08 March 2017

## **APPENDICES**

- Appendix 1 – Definition of Internal Audit Assurance Categories.

### **List of Background Papers:**

**The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:**

- None.

## DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES

Level of Assurance	Definition
<b>Substantial Assurance</b>	Largely satisfactory risk, control, and governance systems are in place. There may be some scope for improvement as current arrangements may undermine the achievement of objectives or leave them vulnerable to error or abuse.
<b>Limited Assurance</b>	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or abuse.
<b>No Assurance</b>	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or abuse is unacceptable. Significant improvements are required.