

The background of the slide features the coat of arms of the Government of Nunavut. It is a shield divided into four quadrants. The top-left quadrant shows a stylized sun with rays. The top-right quadrant shows a caribou head with antlers. The bottom-left quadrant shows a sailing ship on wavy lines representing water. The bottom-right quadrant shows a bearded man in traditional Inuit clothing. Above the shield is a crown with four maple leaves. Below the shield is a banner with the text "ANNE FOR A'".

# **AGENDA ITEM**

**5**

## **INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2015/16**

**FALKIRK COUNCIL**

**Subject:** INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2015/16  
**Meeting:** JOINT MEETING OF PENSIONS COMMITTEE AND PENSIONS BOARD  
**Date:** 23 JUNE 2016  
**Author:** INTERNAL AUDIT MANAGER

**1. INTRODUCTION**

- 1.1 This paper reports on Internal Audit work undertaken in respect of the Falkirk Council Pension Fund during 2015/16, and provides an assurance on arrangements for risk management, governance, and control based on that work

**2. OVERALL OPINION**

- 2.1 Internal Audit use a set of Assurance Categories to provide an opinion on the level of assurance that can be placed on the adequacy of arrangements for risk managements, governance, and control. A summary of these Assurance Categories is set out at **Appendix 1**.
- 2.2 On this basis, Internal Audit is able to provide **SUBSTANTIAL ASSURANCE** on Falkirk Council Pension Fund's arrangements for risk management, governance, and control for the year to 31 March 2016.

**3. OPERATIONAL ACTIVITY CONSIDERED IN PROVIDING OVERALL ASSURANCE**

- 3.1 For 2015/16, Internal Audit coverage consisted of a review of Pension Fund Governance, and Transactional Testing.
- 3.2 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.
- 3.3 Draft reports were issued and agreed with the Pensions Manager and final reports, incorporating management comments where necessary, were issued in July 2015 and February 2016.
- 3.4 Internal Audit was able to provide **Substantial Assurance** in respect of both Pension Fund Governance, and Transactional Testing.
- 3.5 In relation to Pension Fund Governance, all staff consulted during the review were clear about their roles and responsibilities and the operational controls were well managed and working effectively. At the time of the audit the governance arrangements had recently changed and we did highlight areas where there was scope to enhance the existing framework of control. In particular, we found there to be a need for more robust risk management arrangements, to ensure that risks are better assessed and managed with ownership clearly stated, and for the maintenance of Registers of Interests for Pension Committee and Board members.

- 3.6 Our transactional work focussed on testing a sample of recently processed Falkirk Council Pension Fund Transactions. We were content that this work confirmed that new member contributions were being properly calculated; the correct transfer value in or out of the Fund had been received or paid; and the correct pension payments were being made to retiring Fund members.

#### **4. INTERNAL AUDIT COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

- 4.1 Internal Audit seeks to undertake all work in conformance with the Public Sector Internal Audit Standards (PSIAS). The Standards, which have applied since April 2013, have 4 objectives, namely:

- to define the nature of Internal Auditing within the UK public sector;
- to set basic principles for carrying out Internal Audit in the UK public sector;
- to establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- to establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.

- 4.2 To allow them to place reliance on Internal Audit work, Audit Scotland undertake an annual assessment of the work of the Section. This assessment allowed Audit Scotland to conclude that Internal Audit operates in accordance with Public Sector Internal Audit Standards (PSIAS) and that our documentation standards and reporting procedures are sound.

#### **5. RECOMMENDATIONS**

- 5.1 **The Pensions Committee and Board are asked to note that sufficient Internal Audit activity was undertaken to allow a balanced assurance to be provided.**
- 5.2 **The Pensions Committee and Board is asked to note that Internal Audit is able to provide SUBSTANTIAL assurance in respect of the Falkirk Council Pensions Fund's overall arrangements for risk management, governance, and control for the year to 31 March 2016.**

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**Internal Audit Manager**

**Date: 13 June 2016**

**DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES**

<b>Level of Assurance</b>	<b>Definition</b>
<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.