

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest is a shield divided into four quadrants. The top-left quadrant shows a sailing ship on wavy lines representing water. The top-right quadrant depicts a stag's head with large antlers. The bottom-left quadrant contains a beaver. The bottom-right quadrant shows a grizzly bear standing on its hind legs. Above the shield is a crown with four maple leaves. A banner at the bottom of the shield contains the motto "A NE FOR A".

## **Agenda Item 5**

### **Internal Audit Plan 2018/19**

**Falkirk Council**

**Title:** Internal Audit Plan 2018/19  
**Meeting:** Joint Meeting of Pensions Committee and Pension Board  
**Date:** 21 June 2018  
**Submitted By:** Internal Audit, Risk, and Corporate Fraud Manager

**1. Purpose of Report**

- 1.1 This report proposes a Falkirk Council Pension Fund Internal Audit Plan for 2018/19 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 2018/19; 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 2018/19 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;
  - the correct lump sum payments were made in respect of deceased Fund members; and
  - the controls around i-Connect (electronic transfer of data from employers creating starters and leavers) are operating effectively.
- 4.2 Our work will also include a review of the operation of Pension Fund Investment Management Agreements. This will include ensuring that the fees being charged by the Fund Managers are in accordance with the agreements, and that the invoices are being processed in line with Section 15 of the Council's Financial Regulations.
- 4.3 For these 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.
- 4.4 On completion of our 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 Pentana system. The overall assurance will be provided in line with the definitions set out at Appendix 1.
- 4.5 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 2018/19 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.

---

Internal Audit, Risk, and Corporate Fraud Manager

**Author:** Gordon O'Connor, Internal Audit, Risk, and Corporate Fraud Manager,  
01324 506339 gordon.oconnor@falkirk.gov.uk

**Date:** 05 June 2018

## **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**

<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.