

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest includes a crown at the top with four maple leaves, a shield divided into four quadrants (top-left: a ship, top-right: a stag, bottom-left: a ship, bottom-right: an eagle), and a banner at the bottom with the motto 'CITY OF VANCOUVER' in French. The text 'Agenda Item 7' is centered over the shield.

Agenda Item 7

Internal Audit Annual Assurance Report 2019/20

Falkirk Council

Title: Internal Audit Annual Assurance Report 2019/20
Meeting: Joint Meeting of Pensions Committee and Pension Board
Date: 13 August 2020
Submitted By: Internal Audit, Risk, and Corporate Fraud Manager

1. Purpose of Report

- 1.1 This paper reports on Internal Audit work undertaken in respect of the Falkirk Council Pension Fund during 2019/20, and provides an assurance on arrangements for risk management, governance, and control based on that work.

2. Recommendation

2.1 It is recommended that Pensions Committee and Pension Board:

- **notes that Internal Audit is able to provide Substantial Assurance in respect of the Fund's arrangements for risk management, governance, and control for the year to 31 March 2020.**

3. Overall Opinion

- 3.1 Internal Audit uses a set of assurance categories as the basis for providing an opinion on the adequacy of arrangements for risk management, governance, and control. A summary of these is set out at Appendix 1.
- 3.2 Based on work undertaken, Internal Audit is able to provide Substantial Assurance on the adequacy of the Fund's arrangements for risk management, governance, and control for the year to 31 March 2020.
- 3.3 In providing that opinion, Internal Audit has taken account of the findings arising from reviews of:
- Pension Fund Transactional Testing; and
 - Business Continuity Planning Arrangements.

4. Operational Activity Considered in Providing Overall Assurance

- 4.1 Annual Internal Audit work is based on discussion with the Pensions Manager and review of relevant documentation such as the Fund's Assurance Map, Governance Policy, and Risk Register.
- 4.2 As outlined at paragraph 3.3, we undertook two pieces of Internal Audit work during 2019/20. Internal Audit was able to provide Substantial Assurance in each of these areas.
- 4.3 Our transactional work focused on testing of whether:
- new member contributions to the Pension Fund were properly calculated by Fund employers;
 - transferred in rights secured appropriate benefits for members;
 - transfers out and refunds were properly calculated;
 - correct payments were made to retiring, and in respect of deceased, Fund members;
 - controls around i-Connect (electronic transfer of data from employers creating starters and leavers) were operating effectively; and
 - there were appropriate controls around the receipt of monthly contributions.
- 4.4 On the basis of testing of a sample of 60 transactions, we found that operational controls associated with the calculation of new member contributions; for paying or receiving transfer values; for refunding contributions; for calculating deferred pensions; and for making payments to retiring members or in respect of deceased Fund members were working effectively.
- 4.5 Appropriate controls, including contribution reconciliations, were also in place in relation to i-Connect, with work ongoing to roll that interface system out across all Fund employers.
- 4.6 On Business Continuity Planning, our assurance linked into the Pension Section's response to the ongoing COVID-19 outbreak.
- 4.7 We were pleased to note that business continuity arrangements allowed the Section to continue to deliver critical functions, in very difficult circumstances. These arrangements are documented in the Pension Fund Business Continuity document, and swift activation was possible because recovery arrangements for key processes had been identified and documented.
- 4.8 The Pensions Section did encounter some challenges in activating business continuity arrangements (for example, a reliance on paper records and being able to equip all members of the team with home working capacity), with work arounds put in place to allow continued service delivery. We recommended that, once normal working arrangements have resumed, the Fund's Business Continuity Document is updated to reflect, where possible, how to address these challenges.

5. Internal Audit Compliance with Public Sector Internal Audit Standards

5.1 Internal Audit seeks to undertake all work in conformance with the Public Sector Internal Audit Standards 2017 (PSIAS). These standards have four objectives:

- 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.

5.2 The Standards require the Internal Audit Manager to establish a Quality Assurance and Improvement Programme (QAIP) to allow evaluation of compliance with the Standards. This comprises an annual self assessment, and five yearly external assessment.

5.3 The Internal Audit Manager undertook a detailed self assessment against the Standards during February 2020. This confirmed continuing compliance with the Standards, and will be subject to independent, external validation as part of a national review process established by the Scottish Local Authorities Chief Internal Auditors' Group.

6 Implications

Financial

6.1 There are no financial implications.

Resources

6.2 There are no resource implications.

Legal

6.3 There are no legal implications.

Risk

6.4 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

- 6.5 An equality and poverty impact assessment was not required.

Sustainability / Environmental Impact

- 6.6 A sustainability / environmental assessment was not required.

7. Conclusions

- 7.1 Sufficient Internal Audit activity was undertaken to allow a balanced assurance to be provided.
- 7.2 Internal Audit is able to provide Substantial assurance in respect of Falkirk Council Pension Fund's overall arrangements for risk management, governance, and control for the year to 31 March 2020.
- 7.3 In providing that opinion, Internal Audit operated in compliance with the Public Sector Internal Audit Standards.

Internal Audit, Risk, and Corporate Fraud Manager

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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
Substantial Assurance	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.
Limited Assurance	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.
No Assurance	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.