



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Head of Audit and Inspection

Contact: Duncan Black Ext: 74053

Item 8

4th March 2020

INTERNAL AUDIT – REVIEW OF GOVERNANCE ARRANGEMENTS

Purpose of Report:

To present the results of the Internal Audit review of the governance arrangements within the Strathclyde Pension Fund Office.

Note:

In most cases one of four opinions is expressed:

1. The control environment is satisfactory i.e. audit testing found no concerns with the control environment.
2. A reasonable level of assurance can be placed upon the control environment i.e. audit testing found no major weaknesses in the control environment but some improvements could be made.
3. A limited level of assurance can be placed upon the control environment i.e. improvements are necessary to ensure the control environment is fit for purpose.
4. The control environment is unsatisfactory i.e. significant improvements are required before any reliance can be placed upon the control environment.

Recommendations:

The Committee is asked to note the contents of this report and **AGREE** the audit recommendation that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the Action Plan.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes No consulted: Yes No

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION COMMITTEE SUMMARY

Title of the Audit: Strathclyde Pension Fund – Review of Governance Arrangements

1. Introduction

- 1.1 As part of the agreed Internal Audit plan we have carried out a review of governance arrangements at the Strathclyde Pension Fund Office (SPFO).
- 1.2 The purpose of good governance within an entity is to ensure that the level of direction and management of the affairs is satisfactory, to align corporate behaviour with the expectations of the public and to be accountable to stakeholders in the public interest. The process of governance involves the clear identification of responsibilities, accountabilities and adequate systems of supervision, control and communication.
- 1.3 Internal Audit assesses the status of governance within the Council group and provides assurance that overall best practice is being followed in corporate governance. In connection with this, a Self-Assessment Questionnaire (Annual Governance Questionnaire hereafter referred to as AGQ) is issued annually which requires each Service, ALEO and the SPFO to assess compliance with the principles of good governance based upon the Good Governance Framework produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.4 The scope of the audit included selecting a sample of responses from the completed 2018/19 AGQ submitted

by the SPFO and seeking confirmatory evidence across the following areas:

- Business Planning
- Leadership and Governance
- Performance Reporting
- Risk Management
- Human Resources
- Health and Safety
- Business Continuity
- Emergency Planning
- Information Technology
- Finance
- Partnership Working
- Legal
- Maintenance of the Fund
- Audit and Inspection

2. Audit Opinion

- 2.1 Based on the audit work carried out, assurance can be taken that the control environment is satisfactory. The audit has identified some scope for improvement in the existing arrangements and one recommendation which management should address.

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION COMMITTEE SUMMARY

Title of the Audit: Strathclyde Pension Fund – Review of Governance Arrangements

3. Main Findings

3.1 We are pleased to report that the key controls are in place and operating effectively. Based on the sample of responses reviewed, we found that the Business Plan is agreed annually by the SPFO Committee and that Committee meetings are held quarterly with an agreed schedule of these meetings in place for the calendar year.

3.2 Leadership Team meetings are held on a regular basis and are minuted to show updates on actions. Furthermore, regular agenda items at the Leadership Team meetings include areas such as:

- Workforce Planning;
- Risk Management;
- Financial Monitoring;
- Minutes and reports from other relevant groups; and
- Business and Development Priorities.

3.3 An Investment Advisory Panel (IAP) is in place, with a documented and agreed terms of reference. The IAP regularly reports to the Strathclyde Pension Fund Committee and the senior management team regularly review the performance of the Fund.

3.4 We have identified that the Business Continuity and Emergency Planning arrangements could be

strengthened. A senior officer has been assigned responsibility for Business Continuity Planning (BCP) and we have been advised that BCP meetings take place, between this officer and the leadership team (forming the Crisis Management Team) these meetings are not minuted and have only recently been formalised.

3.5 An action plan is provided at section four outlining our observations, risks and recommendations. We have made one recommendation for improvement. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	0
Low	Lower level controls absent, not being operated as designed or could be improved.	1
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

3.6 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION COMMITTEE SUMMARY

Title of the Audit: Strathclyde Pension Fund – Review of Governance Arrangements

- 3.7 We would like to thank officers involved in this audit for their cooperation and assistance.

- 3.8 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION COMMITTEE SUMMARY

Title of the Audit: Strathclyde Pension Fund – Review of Governance Arrangements

4. Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: CMT meetings are held on a regular basis and a suitable record of this is maintained.				
1	<p>Although a senior officer has been assigned responsibility for BCP and we have been advised that meetings take place, between this officer and the leadership team (forming the Crisis Management Team) the meetings are not minuted and have only recently been formalised with a schedule of quarterly meetings.</p> <p>A lack of minutes, increases the likelihood that agreed actions from the CMT meetings may not be implemented and followed up as required.</p>	<p>SPFO management should ensure that the newly established CMT meeting schedule is adhered to and that the meetings are minuted with any actions required included and followed up as necessary.</p>	<p>Low</p>	<p>Response:</p> <p>Accepted.</p> <p>Officer Responsible for Implementation:</p> <p>Director, SPFO</p> <p>Timescale for Implementation:</p> <p>31 March 2020</p>

5 Policy and Resource Implications

Resource Implications:

Financial: Internal Audit services are included within the Central Support Services cost.

Legal: None

Personnel: None

Procurement: None

Council Strategic Plan: To provide assurance on the controls in place in relation to the governance arrangements within the SPFO.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2017-21 Not applicable.

What are the potential equality impacts as a result of this report? No significant impact.

Please highlight if the policy/proposal will help address socio economic disadvantage. None

Sustainability Impacts:

Environmental: None

Social, including opportunities under Article 20 of the European Public Procurement Directive: None

Economic: None

Privacy and Data Protection impacts: None

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION COMMITTEE SUMMARY

Title of the Audit: Strathclyde Pension Fund – Review of Governance Arrangements

6 Recommendation

- 6.1 The Committee is asked to note the contents of this report and **AGREE** the audit recommendation that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the Action Plan.