



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Head of Audit and Inspection

Contact: Duncan Black Ext: 74053

**Item 6**

19th March 2024

## INTERNAL AUDIT PLAN 2024/25

### Purpose of Report:

To inform the Committee of the outputs which Members and senior officers can expect from Internal Audit in 2024/25 and to seek the agreement of the Committee to implement the Audit Plan for 2024/25.

### Recommendations:

Members are asked to agree to the implementation of the Strathclyde Pension Fund Audit Plan for 2024/25.

Ward No(s):

Citywide:

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

#### **PLEASE NOTE THE FOLLOWING:**

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## **Annual Audit Plan 2024/25**

### **1. Introduction**

- 1.1 The Public Sector Internal Audit Standards require the Chief Internal Auditor to submit a risk based internal audit plan to an appropriate Committee. This report outlines the proposed annual audit plan for the Strathclyde Pension Fund for 2024/25.

### **2. Background**

- 2.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion on the control environment within the Strathclyde Pension Fund. The annual audit plan is designed to assist the Head of Audit & Inspection in formulating that opinion.

- 2.2 In developing the annual audit plan, we:

- Consolidated our understanding of the Strathclyde Pension Fund through discussions with senior management and a review of key strategic documentation;
- Consulted risk registers to understand the nature of inherent risks facing the Strathclyde Pension Fund; and
- Considered previous audit recommendations to identify other internal and external factors.

- 2.3 Internal Audit work will be undertaken in accordance with the Public Sector Internal Audit Standards which have been adopted by the Relevant Internal Audit Standard Setters (RIASS). The RIASS includes, among others, HM Treasury, the Scottish Government and the Chartered Institute of Public Finance and Accountancy (CIPFA).

### **3. Approach**

- 3.1 The audit plan shows the outputs which members of the Committee and management can expect from Internal Audit during 2024/25. For each audit assignment, we will agree a terms of reference with management prior to commencing fieldwork. A summary of our findings will be agreed in draft with management, prior to reporting to this Committee.

- 3.2 Our reports will include a summary of main audit findings, highlighting any control weaknesses and recommendations for improvement. Any significant area of control weakness will be reported in the Annual Assurance Statement.

- 3.3 The Public Sector Internal Audit Standards require that the audit plan should be kept under review to reflect any changing priorities and emerging risks. We will therefore ensure the plan remains relevant and reflects any changes to the inherent risks at the Strathclyde Pension Fund. The Committee will be asked to approve any material adjustments to the audit plan.

#### **4. Internal Audit Outputs in 2024/25**

- 4.1 The main output from Internal Audit in 2024/25 will be the Head of Audit & Inspection's annual report. This provides assurance to the Committee, and senior management on matters of governance and internal control within the Strathclyde Pension Fund.
- 4.2 The annual report will be based principally on the work undertaken by Internal Audit during the year to complete the audit plan.
- 4.3 The key areas we will cover in 2024/25, and on which we will provide assurance, are shown in Appendix 1, together with the main control risks associated with these areas.
- 4.4 Glasgow City Council participates in the National Fraud Initiative (NFI) which is a nationwide data matching function undertaken by NFI on behalf of Audit Scotland. Strathclyde Pension Fund Office staff are responsible for investigating data matches notified to it by NFI.
- 4.5 The Audit Universe, which details all the key areas we have reviewed in the last few years, is included at Appendix 2.

#### **5. Indirect Audit Outputs in 2024/25**

- 5.1 There are a number of other audits undertaken by Internal Audit, which although not directly undertaken for the Pension Fund, will cover processes or procedures which affect the administration of the Fund, and which the Head of Audit and Inspection will consider as part of the Annual Assurance Statement.

#### **6. Resources**

- 6.1 In 2024/25, 35 days are available to carry out the planned assurance audit work.
- 6.2 We have identified a dedicated team to deliver the internal audit plan to the Strathclyde Pension Fund however we are able to draw upon additional audit and specialist resources as required.
- 6.3 The Internal Audit Charter formally defines the purpose, authority and responsibility of Internal Audit. The Audit Charter is included at Appendix 3

#### **7. Policy and Resource Implications**

##### **Resource Implications:**

<i>Financial:</i>	Internal Audit services are included within the Central Support Services cost.
<i>Legal:</i>	None
<i>Personnel:</i>	None
<i>Procurement:</i>	None

**Equality and Socio-Economic Impacts:**

*Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.* No specific proposals are included within this report.

*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.* There are no equality impacts as a result of this report.

**Climate Impacts:**

*Does the proposal support any Climate Plan actions? Please specify:* Not Applicable

*What are the potential climate impacts as a result of this proposal?* Not Applicable

*Will the proposal contribute to Glasgow's net zero carbon target?* Not Applicable

**Privacy and Data Protection Impacts:** None

## **8. Recommendations**

- 8.1 Members are asked to agree to the implementation of the Strathclyde Pension Fund Audit Plan for 2024/25.

Assurance Area	Planned Internal Audit Activity	Link to Risks (where applicable)
<b>Governance</b>	<b>Compliance with the Code of Practice</b>  To provide assurance that the SPF is complying with the requirements of the new Regulator's Code of Practice requirements. The new code of Practice is due to effective from late March 2024 and SPF has set a deadline of being fully compliant within 6 months.	Risk 0393 - Changes to scheme regulations and other pensions legislation
	<b>Payroll</b>  To provide assurance that there are appropriate arrangements in place for the administration of monthly payroll payments to Pension Fund members.	n/a
<b>Follow up</b>	Audit the progress against Internal Audit recommendations, undertaking additional testing as required. Summary progress updates will be reported to the Board and Committee	n/a
<b>Head of Audit's Annual Opinion</b>		n/a

Strathclyde Pension Fund – Internal Audit Coverage 2020/21 – 2024/25

APPENDIX 2

Assurance Area	Audit Activity	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Governance</b>	Information Technology	✓				
	Governance of Projects within the business plan	✓				
	Board Governance		✓			
	Information security/Information management			✓		
	Cyber Security				✓	
	Scheme Administration				✓	
<b>Compliance</b>	Ad hoc Payments		✓			
	Customer Engagement			✓		
	Scheme of Delegation			✓		
	Payroll					✓
	Compliance with Code of Practice (Pensions Regulator)					✓



## Internal Audit Charter (May 2023)

### Introduction

The Internal Audit Charter formally defines the purpose, authority and responsibility of Internal Audit, in accordance with the Public Sector Internal Audit Standards (PSIAS) adopted by the Relevant Internal Audit Standard Setters.

Internal Audit is led by the Head of Audit and Inspection and reports directly to the Executive Director of Finance with open access to the Chief Executive.

The Internal Audit Charter will be reviewed and reported to Senior Management and Committee as appropriate.

### Definitions

The PSIAS include specific definitions that have been interpreted as:

*Chief Audit Executive* – the Head of Audit and Inspection

*Board* – the appropriate Council Committee with responsibility for audit matters

*Senior Management* – Council senior officers

### Purpose

Internal Audit is defined within the PSIAS as an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

### Internal Audit Mission

The mission of Internal Audit is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

The purpose and mission of Internal Audit are achieved through the delivery of the Internal Audit plan which informs the Head of Audit and Inspection's annual opinion on the adequacy of the Council's system of internal control including the arrangements in subsidiary bodies that are incorporated into the Council's group. This annual opinion is provided to the Chief Executive, senior Council officers and Elected Members. It is management's responsibility to implement and maintain effective internal control systems within its area of responsibility. It is Internal Audit's role to assist management by reviewing and evaluating the effectiveness of those control systems.

### Role of the Head of Audit and Inspection

The CIPFA guidance in relation to "The Role of the Head of Internal Audit in Public Service Organisations" is intended to provide best practice for Chief Audit Executives to achieve, and for Boards to measure Internal Audit against. The statement sets out an overarching principles-based framework which applies across the UK public sector. It

states that the Chief Audit Executive plays a critical role in delivering an organisation's strategic objectives by:

- championing best practice in governance and management, objectively assessing the adequacy of the management of existing risks, and commenting on responses to emerging risks and proposed developments; and
- giving an objective and evidence-based opinion on all aspects of governance, risk management and internal control.

### **Authority**

Internal Audit's authority is derived from policies, procedures, rules and regulations established by the Council. These include, but are not limited to, the Financial Regulations, the Whistleblowing and Response Policy and the Code of Conduct.

Internal Audit:

- Has unrestricted access to all Council records, cash, property, assets and people, where necessary on demand and without prior notice.
- Can obtain information and explanations as it considers necessary to satisfy the probity of any matter under consideration.
- Can require the production of any records and other such property as is deemed necessary, and
- Requires all senior officers to report all actual or perceived losses (cash, stock, equipment or data), all suspected or actual instances of theft, embezzlement, fraud, corruption or any other impropriety.

### **Scope**

The scope of Internal Audit's work includes:

- All Council systems, processes, policies, plans and procedures.
- Use and safeguarding of resources and assets, including data.
- Governance and risk management processes.
- Commissioning and procurement.
- Projects and programmes.
- Whistleblowing and Fraud, including investigation of allegations of fraud and corruption.
- All subsidiary and associate organisations that form part of the Council group.
- Strathclyde Pension Fund.
- Glasgow City Integration Joint Board.
- Glasgow City Region Cabinet, and
- Other section 106 bodies.

### **Resourcing and Audit Planning**

In line with PSIAS requirements Internal Audit develops a risk-based audit plan which enables the Head of Audit and Inspection to provide an annual opinion on the adequacy of the Council's system of internal control. The plan is developed through an assessment of risk and assurance needs and is sufficiently flexible to be able to adapt to changing organisational risks and priorities. It is submitted to the appropriate Council Committee with responsibility for audit.

The annual audit plan sets out the planned audit resources for the year with the objective of giving an evidence-based opinion. It is the Head of Audit and Inspection's

responsibility to ensure that Internal Audit is adequately resourced in order to carry out its function. The team is made up of a mix of qualified staff (in the main CIPFA qualified accountants), CIPFA trainees and apprentices. The team also has a cyber security officer.

Internal Audit complies with relevant Council policies and procedures and Internal Audit's standard operating procedures manual.

The PSIAS defines consulting services as follows: "Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training". Internal Audit will consider all requests for additional work, including those considered consulting, which are outwith the audit plan, on agreement with relevant senior officers. This includes attendance at working groups and offering advice and guidance.

### **Independence and Objectivity**

The PSIAS define independence as "freedom from conditions that threaten the ability of the Internal Audit activity to carry out its responsibilities in an unbiased manner". To assist Internal Audit to carry out the role and constructively challenge senior managers of the Council, the Head of Audit and Inspection holds a sufficiently senior position in the Council. Senior Officers and those charged with governance have input into the annual audit plan however they do not direct the plan.

All staff within Internal Audit challenge, on the basis of objective evidence, decisions, policies or practices they consider inappropriate or in need of improvement, no matter who is involved in the decision making. It is essential for Council officers and Elected Members to recognise Internal Audit's role and responsibilities and accept Internal Audit comment and advice in this spirit, giving a reasoned response if they take a different view. Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activities or processes audited. They make a balanced assessment of relevant circumstances and are not unduly influenced in forming judgements by their own interests or the interests of others.

Objectivity and independence in the provision of advice and guidance are maintained, and conflicts of interest avoided. Internal Audit has no operational responsibility for, or authority over, activities audited and all officers undertaking audit work are required to complete declarations of interest annually, including "nil" returns. Where Internal Audit officers are deemed to have operational involvement or other conflict, they must remove themselves from any related Internal Audit activity.

### **Other Work**

Internal Audit will seek opportunities to share expertise with other public sector organisations, where resources permit and where there is no impact on the ability to deliver the level of assurance required to enable the Head of Audit and Inspection to provide an annual opinion to the Council group.

### **Quality**

All Internal Audit work is undertaken in compliance with the PSIAS and is subject to regular internal quality reviews, with the results of these reviews reported to a Quality

Management Review Team. External quality reviews are also undertaken through a 5-yearly external quality assessment. Internal Audit is also ISO9001 quality accredited by the British Standards Institution, which is reviewed annually, the current certification being ISO9001:2015.

### **Performance**

Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of Glasgow City Council Internal Audit Services that Internal Audit:

1. Performs its work in accordance with this Audit Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing, Code of Ethics and ISO 9001: 2015,
2. Operates in an efficient and effective manners; and
3. Is adding value and continually improving Internal Audit operations.

The Head of Audit and Inspection is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including Audit Glasgow activity. The QAIP includes both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments are undertaken at least once every five years.

The Head of Audit and Inspection reports every six months to the Finance and Audit Scrutiny Committee regarding team performance in relation to their Annual Service Plan and Improvement Report (ASPIR) targets. This includes measures on fieldwork completion, ISO 9001 and PSIAS compliance.