



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Head of Audit and Inspection

Contact: Duncan Black Ext: 74053

Item 2(a)

1st March 2023

INTERNAL AUDIT – Scheme of Delegation

Purpose of Report:

To present the results of the Internal Audit review of the arrangements for delegated decision making under the Scheme of Delegation within the Strathclyde Pension Fund.

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.

Ward No(s):

Citywide: ✓

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

Glasgow City Council Internal Audit Section

Committee Summary

Strathclyde Pension Fund Office – Scheme of Delegation

1 Introduction

- 1.1 As part of the agreed Internal Audit plan we have carried out a review of the arrangements for delegated decision making under the Scheme of Delegation (SoD) within the Strathclyde Pension Fund. The audit also included a review of the arrangements in place to deal with requests in relation to anti-money laundering.
- 1.2 In order to ensure that decisions are made at an appropriate level, the SPF has documented the arrangements for all major decision making within the Financial Services SoD. Large payments are paid out daily by the SPF therefore it is important that the SoD in place is up to date and fit for purpose.
- 1.3 In the UK, Financial institutions are required to comply with the provisions of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. Part 3 of the regulations places a duty on “relevant persons”, including investment managers and custodians, to carry out customer due diligence in respect of all clients. In carrying out due diligence, investment managers / custodians must obtain, identify and verify various pieces of information such as clients name, registered address etc. When a new investment manager is appointed or an investment made in a new fund, the manager (or in some cases the fund administrator) will request documents required to verify the identity of Strathclyde Pension Fund and establish who is the beneficial owner of the asset.
- 1.4 The purpose of the audit was to ensure that the current SoD in place is fit for purpose and is being complied with in practice. The audit also included a review of the arrangements in place in relation to Anti Money Laundering (AML). The scope of the audit included:
- Establishing that there is a process in place to approve and update the SoD when required;
 - Discussions with relevant responsible officers to confirm that they are aware of the delegated powers and where appropriate threshold levels;
 - Reviewing a sample of delegated powers in the scheme to ensure compliance;
 - Verifying that adequate records are held to support the process;
 - Confirming the AML requirements the SPF have to adhere to and how staff are made aware of these; and
 - Verifying that the SoD adequately reflects the anti money laundering requirements.

2 Audit Opinion

- 2.1 Based on the audit work carried out, assurance can be taken that the control environment is satisfactory.
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3 Main Findings

- 3.1 We are pleased to report that the key controls are in place and operating effectively. The SPF adheres to the Financial Services SoD and this is reviewed at least annually by an appropriate senior officer and approved by the Finance Services Leadership Team (FSLT). The latest version was approved in October 2022. There are a number of SPF Delegated Signatory lists which are reviewed and updated regularly.
- 3.2 For online banking payments and purchase orders, system controls are in place to ensure all payments are approved by an appropriate number of officers based on their grades and threshold levels equivalent to those listed in the SoD. Relevant responsible officers demonstrated awareness of the delegated powers and threshold levels.
- 3.3 We reviewed a sample of 50 delegations – three to the Executive Team, nine to the Board, Committee and Investment Advisory Panel and 38 financial delegations which included online banking payments, invoices, custody payments and travel expenses. For two invoices we were unable to confirm appropriate approval was sought due to SAP currently being unavailable. All remaining cases reviewed fully complied with the responsibilities as outlined in the SoD and adequate records to support the process was maintained.
- 3.4 The process for responding to AML requests is documented and available to all relevant staff. Requests are collated and responded to by one designated officer and reviewed by senior management. The Council's SoD stipulates that designated officers within Legal Services are authorised to sign missives and other documents binding the Council and this is followed in terms of responding to AML requests. Signatory lists specifically for AML requests have been created; these include Legal Services signatures and are in line with the Council's SoD. An audit trail of all AML documents is maintained.
- 3.5 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.
- 3.6 We would like to thank officers involved in this audit for their cooperation and assistance.

4 Policy and Resource Implications

Resource Implications:

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

Legal: None

Personnel: None

Procurement: 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

5 Recommendation

5.1 The Committee is asked to note the contents of this report.