

Pension Committee

2.00 p.m., Tuesday, 15 March 2016

Internal Audit plan for 2016/17

Item number	5.4
Report number	
Executive/routine	
Wards	All

Executive summary

This document outlines the planned Internal Audit activities for the financial year 2016/17.

The Internal Audit plan has been developed using a risk based methodology to ensure that assurance activity is focussed on the key areas of risk faced by the Fund.

Links

Coalition pledges

Council outcomes

CO26 – The Council engages with stakeholders and works in partnerships to improve services and deliver agreed objectives.

Single Outcome Agreement

Internal Audit plan for 2016/17

Recommendations

- 1.1 Committee is requested to note the planned audit activity for the year 2016/17.

Background

- 2.1 The internal audit plan for the Fund is risk based and focuses on the governance, risk and controls within the Fund. In line with the requirements of the Public Sector Internal Audit Standards (PSIAS) which have been adopted by Internal Audit, the audit plan has been developed using a risk based methodology to ensure that assurance activity is focussed on the key areas of risk.
- 2.2 The methodology used to create the internal audit plan for the Fund is the same as was used for the City of Edinburgh Council's 2016/17 Internal Audit Plan, which was approved by the Governance, Risk and Best Value Committee on 3 March 2016.

Main report

Internal Audit Plan for the Lothian Pension Fund

- 3.1 The areas proposed for inclusion in the Pensions section of the Internal Audit plan were identified subsequent to consideration of the Fund's risk register, discussions with the Fund management team and discussions with elected members of the Pensions Audit Sub- Committee to identify current areas of risk and to prioritise where obtaining assurance is appropriate.
- 3.2 The planned reviews for the year to 31 March 2016 are set out below:

	Audit remit	Planned days
1	<u>Investments Managed Internally</u> The review will assess the processes and controls in place around internally managed funds and review the procedures in place to monitor investment performance. This will include the management of funds invested within Private Equity investment vehicles.	20

2	<p><u>External vulnerability assessment</u></p> <p>The review will consider the security in place and the vulnerability to external threats to the supplier hosted, web-based, pension administration system, including the Employer online and Member online modules, which are external externally accessible by employers & members of the Fund.</p>	20
3	<p><u>Governance of LPFE</u></p> <p>LPFE is the Fund's service company which employs senior management within the Fund. The review will assess the governance arrangements & mechanisms in place to ensure conformance with external reporting & compliance requirements. The review will also consider the internal reporting mechanisms in place & supervision provided by the Pension Committee to ensure that Best Value is achieved.</p>	20

3.3 It is proposed to conduct the Investments Managed Internally review in Q1 of the financial year with the other two reviews expected to be undertaken simultaneously in Q3, with the expectation that all reviews will be complete in advance of the December 2016 Pension Committee meeting.

3.4 Planned days are indicative at this stage as the nature, timing and extent of the audit work is not confirmed until the detailed Terms of Reference have been finalised following the completion of the planning process with Fund management, for each review.

Measures of success

4.1 Alignment of the Internal Audit Plan to the key risks faced by the Fund to ensure governance is improved, responsibility is taken for corrective action and confidence in the management of risk is increased.

Financial impact

5.1 A central support charge will be made to the Fund for the provision of Internal Audit services provided. This is in the process of being finalised by Finance but is expected to be in the region of £52,000.

Risk, policy, compliance and governance impact

6.1 The Internal Audit plan sets out the areas of focus for Internal Audit activities for 2016/17. Internal Audit provides assurance over the governance and control environment operating in the Fund.

Equalities impact

7.1 There are no adverse equalities impacts arising from this report.

Sustainability impact

8.1 There are no adverse sustainability impacts arising from this report.

Consultation and engagement

9.1 The internal audit team consulted with the Risk team, Lothian Pension Fund management and members of the, Pensions Audit Sub- Committee in preparing the Internal Audit plan.

Background reading / external references

None.

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Links

Coalition pledges

Council outcomes CO26 – The Council engages with stakeholders and works in partnerships to improve services and deliver agreed objectives.

Single Outcome Agreement

Appendices