

Surrey Local Government Pension Scheme

Internal Audit Strategy and Plan

2023/24



1. Introduction

- 1.1. Surrey County Council (the Council) is the designated statutory administering authority for the Surrey Pension Fund (the Fund). The Council has a statutory responsibility to administer and manage the Fund in accordance with the rules of the Local Government Pension Scheme (LGPS).
- 1.2. The Fund currently comprises of the Council and 327 scheme employers including, but not limited to, district and borough councils and academic bodies. There are currently circa 114k members of whom 41k were active, and 43k deferred. The remaining 30k are comprised of pensioners and dependants.
- 1.3. A new service structure for the Pension Team was implemented in 2022/23 following a return to sovereign control of the pension administration functions from the Orbis Business Operations shared service. In addition to this the Fund ceased provision of pension administration services for four London borough councils and the Surrey Fire and Rescue Service during 2021/22.
- 1.4. The Fund pools with 11 other Funds to create the Border to Coast Pensions Partnership. We (the Orbis Internal Audit & Counter Fraud Team) do not provide internal audit services to the Border to Coast Pensions Partnership.
- 1.5. A procurement exercise for the pension administration system was carried out during 2020. The result was a decision to remain with the existing system, Altair.
- 1.6. We (the Orbis Internal Audit & Counter Fraud Team) provide internal audit services to the Fund.

2. Objective

- 2.1. The objective of this Pension Scheme Internal Audit Strategy and Plan ('The Strategy'), is to provide the Scheme with a consistent, risk-based approach to determining an internal audit programme for the Fund, which takes maximum advantage of the available sources of internal and external assurance.
- 2.2. The Strategy seeks to provide assurance on the following aspects of Fund activities during 2023/24:
 - Cyber Security;
 - i-Connect;
 - Pension Administration (Transfers In);
 - Pension Fund Investments; and

- Admission Arrangements.
- 2.3. We will carry out follow-up audits for any previous reviews where the assurance opinion was partial or minimal assurance to ascertain the degree to which agreed actions in these areas have been implemented. Follow up reviews of Performance Management and Banking Controls will be undertaken during 2023/24.
 - 2.4. We are aware that there are significant backlogs in some areas of pension administration which have been recognised and reported by the Council's external auditors. We understand that the service is seeking additional resources in order to address this issue during the current financial year. We therefore intend to include a review of progress made to address the backlogs in administration in our Audit Plan for the 2024/25 financial year.
 - 2.5. We are also holding a contingency allocation of audit days and we will discuss the most appropriate use of this resource with management as the year progresses.
 - 2.6. The outline scope for each of the reviews is detailed at Appendix A.

3. Approach

- 3.1. The Strategy uses risk assessment as its foundation. The risk assessment will consider the materiality and significance of the processes involved, any negative factors such as problems or significant changes and any positive factors, which provide comfort or assurance. It should be borne in mind that the Fund is a material and fundamental financial system in its own right and, as such, should be subject to a proportionate level of coverage.
- 3.2. The outcome of the risk assessment will be an objective view of those areas of the business where assurance is required that risks are being managed effectively.
- 3.3. Throughout the year, there will be routine liaison between Internal Audit and management to identify emerging risks and ensure that this Strategy continues to reflect the needs of, and risks to, the Fund.
- 3.4. Where appropriate, audit coverage will be varied from year to year. In areas where no significant findings were made in the previous year, the scope may be widened to other areas to maximise the breadth of coverage and assurance.
- 3.5. Where possible, direct access to source data will be obtained, including to data held in the administration system (Altair), information passed via the Pension Regulator's on-line portal and HMRC's event reporting portal. Where access cannot be obtained, this will be reported.
- 3.6. We plan to deliver 90 audit days for the year 2023/24. This level of coverage will be kept under review to ensure that it remains appropriate to the needs of the Fund.

4. Professional Standards

4.1. Audits of the Fund will be carried out in accordance with the professional standards set out in the Public Sector Internal Audit Standards.

5. Reporting Arrangements

5.1. Internal Audit work will be reported in the following manner:

- A terms of reference will be drafted and agreed with management;
- An initial draft report will be issued to management for comments on factual accuracy and response to the issues and risks identified;
- A final report that includes agreed actions and implementation dates will be published to management.
- The results of audit work on the Scheme will be reported:
 - in full, to the Surrey Local Pension Board and Surrey Pension Fund Committee; and
 - in summary form, to the Audit and Governance Committee, as part of our quarterly progress reports.

SURREY PENSION FUND INTERNAL AUDIT PLAN 2023/24

Please note that the following provides a high-level scope of the work we are proposing. At the beginning of each review (as with all our work), a detailed term of reference will be developed in consultation with management and therefore the details given below may change to reflect emerging issues and risks.

Review Name	Outline Objective	Estimated Timing
Cyber Security	<p>Pension schemes hold large amounts of personal data/assets which can make them a target for fraudsters and criminals.</p> <p>This audit will review the effectiveness of the controls in managing cyber security risks against the pension fund and use the cyber security principles for pension schemes as issued by the Pension Regulator as a basis for assessing the effectiveness of these controls.</p>	Q1/Q2
i-Connect	<p>iConnect is a secure platform which automates the submission of pension data from admitted and contributing authorities (currently in use for Surrey CC only).</p> <p>This audit will evaluate the effectiveness of the controls, particularly those that ensure access to the application is appropriate, data is sufficiently protected and those that support the accuracy of the data.</p>	Q3
Administration Review	<p>An audit to review the key controls and the arrangements in place for the processing of transfers in.</p>	Q2
Pension Fund Investments	<p>A review to assess the adequacy of the SCC Pension Fund management and governance arrangements.</p>	Q3

Appendix A



Admission Arrangements	A review to assess the key controls and arrangements in place for the admitting of new scheme employers.	Q3
Follow Up of the LGPS Performance Management Review	To assess progress made against agreed actions from the 2022/23 report (Partial Assurance).	Q1
Follow up of the Banking Controls Review	To further assess progress made against agreed actions from the 2021/22 report (Minimal Assurance).	Q3
Contingency	We will also hold a contingency allocation and will discuss the most appropriate use of this resource with the Pensions Leadership Team as the year progresses.	N/A