

Surrey

Local Government Pension Scheme

Internal Audit Strategy and Plan

2021/22

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 to the rules of the Local Government Pension Scheme (LGPS).
- 1.2. The fund currently comprises of the council and 310 scheme employers including, but not limited to, district and borough councils and academic bodies. There are currently circa 111,314 members of which 35,458 were active, and 48,612 deferred. The remaining 27,244 comprised of pensioners and dependants.
- 1.3. The council are currently in the process of realigning the pension service following a return to sovereign control having previously been part of the joint Orbis Business Operations shared service. In addition to this the fund will cease provision of pension administration services for four London borough councils and the Surrey Fire and Rescue Service during 2021/22.
- 1.4. We (the Orbis Internal Audit & Counter Fraud Team) provide internal audit services to the Surrey Pension Fund.

2. Objective

- 2.1. The objective of this Pension Scheme 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 Pension Fund, which takes maximum advantage of the available sources of internal and external assurance.
- 2.2. The SPF pools funds with another 11 funds to create the Border to Coast Pensions Partnership.
- 2.3. 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.
- 2.4. The Strategy seeks to provide assurance on the following aspects of pension fund activities during 2021/22:
 - Key administrative processes (as identified by the Pensions Regulator);
 - Banking controls;
 - Pension Fund investments;
 - Altair system application review;
- 2.5. We are also holding a contingency allocation and will discuss the most appropriate use of this resource with the Pension Fund officers as the year progresses.

- 2.6. We shall also carry out follow-up audits for any 2020/21 reviews where the assurance opinion was partial assurance or less to ascertain the degree to which agreed actions in these areas have been implemented. It should be noted that we shall follow up each action, agreed the previous year, irrespective of the opinion given.
- 2.7. 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. On a periodic basis, risks will be reviewed in consultation with the Chairs of the Pension Committee and Board and with management to identify any new risks. 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 Pension Fund is a material and fundamental financial system in its own right and, as such, should be subject to a level of coverage that complements the work of the Scheme's external auditors.
- 3.2. The outcome of the risk assessment will be an objective view of those areas of the business where the organisation requires assurance that risks are being managed effectively. Internal Audit will then use a number of potential sources to provide that assurance.
- 3.3. Throughout the year, there will be routine liaison between Internal Audit and officers representing the Fund 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.
- 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 2021/22. 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 Pension 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:

- Terms of Reference will be drafted and agreed with management;
- An initial draft report will be issued to management for its 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 Pension Board and Pension Committee; and
 - in summary form, to the Audit Committee as part of our quarterly progress reports.

Appendix A

SURREY PENSION FUND INTERNAL AUDIT PLAN 2021/22

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.

Review Name	Outline Objective	Estimated Timing
Altair – Application Controls	<p>An application audit looking at system ownership roles and responsibilities, user access, hosting, reporting, input controls, system updates, patching and business continuity arrangements.</p> <p>The Fund is currently in the process of ceasing provision of administration services to external clients. We will undertake a review of the appropriateness of system administration exercises in respect of the initial client exits in order to inform best practice, as needed, for the remaining exits.</p>	Q2
Key Administrative Processes	A review to assess the adequacy of controls in place for key administrative processes as identified by the Pensions Regulator including, but not limited to, retirements, deaths and immediate payments.	Q3
Banking Controls	A review to assess the arrangements in place for the appropriate management and control of the Pension Fund bank account including the timely recording and reconciliation of receipts and payments and management of the suspense account.	Q2
Investments	A review to assess the adequacy of the SCC Pension Fund management and governance arrangements. Also, to examine arrangements for obtaining assurance over the adequacy of the control environment of pension fund investment managers and the custodian.	Q3
Follow up of the 2020/21 Administration Review	To assess progress made against agreed actions from the 2020/21 report.	Q4

Review Name	Outline Objective	Estimated Timing
Contingency	We will also hold a contingency allocation and will discuss the most appropriate use of this resource with Pension Fund officers as the year progresses.	TBC