

# **Surrey Local Government Pension Scheme**

## **Internal Audit Strategy and Plan**

### **2022/23**



## 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 302 scheme employers including, but not limited to, district and borough councils and academic bodies. There are currently circa 111,791 members of which 39,366 were active, and 44,062 deferred. The remaining 28,363 comprised of pensioners and dependants.
- 1.3. The council is currently in the process of realigning the pension service following a return to sovereign control of the pension administration functions, having previously been part of the joint 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 funds with another 11 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 pension fund activities during 2022/23:
  - LGPS Performance Management;
  - Compensatory Added Years Payments;
  - Pension Administration (scope to focus on the transfers out process);
  - Pension Fund Investments; and

- SPF Governance 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. It should be noted that we shall follow up each action, agreed the previous year, irrespective of the opinion given.
- 2.4. 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.
- 2.5. 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 Chairmen of both the Surrey Pension Fund Committee and Surrey Local Pension 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 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 100 audit days for the year 2022/23, an increase of ten audit days from 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 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 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 2022/23**

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.

<b>Review Name</b>	<b>Outline Objective</b>	<b>Estimated Timing</b>
LGPS Performance Management	This review reported on the performance reporting issues identified during the Key Administration Processes 2021/22 review and was issued in August 2022 with a Partial Assurance opinion.	Q1
Compensatory Added Years (CAYs)	<p>This discretionary benefit is not a part of the Local Government Pension scheme but is currently paid to eligible scheme pensioners through the standard monthly pensioner payroll process with the fund providing the administrative service for recharging these costs back to the scheme employer.</p> <p>This audit will review the effectiveness of controls in relation to the payment of CAYs to former council employees (now pensioners). This review will also examine the effectiveness of arrangements in place for the accounting treatment of associated costs<sup>1</sup>.</p>	Q2
Administration Review (Transfers Out)	An audit to review the key controls and the arrangements in place for the processing of transfers out.	Q3

<sup>1</sup> Arrangements for all other fund employers will be further reviewed as part of the Banking Controls follow up scheduled for Q4.

Pension Investments	A review to assess the adequacy of the fund management and governance arrangements. This review will also examine arrangements for obtaining assurance over the adequacy of the control environment of pension fund investment managers and the custodian.	Q3
SPF Governance Arrangements	A review to assess the adequacy of the overarching governance arrangements in place for the Surrey Pension Fund.	Q3/4
Follow up of the Banking Controls Review	To assess progress made against agreed actions from the 2021/22 report (Minimal Assurance).	Q4
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.	TBC