

## Internal Audit Plan 2021-22 to 2023-24

### Pension Services

Hampshire Pension Services



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## Introduction

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

*‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’*

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

*‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.*

The County Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The County Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

The aim of internal audit’s work programme is to provide independent and objective assurance to management, in relation to the business activities, systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure the most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Audit Sponsors, to ensure it continues to reflect the needs of the service. Amendments to the

plan will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of Hampshire Pension Services.

### **Your Internal Audit Team**

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Antony Harvey, Deputy Head of Southern Internal Audit Partnership supported by Melanie Weston, Audit Manager.

### **Conformance with internal auditing standards**

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2020 the Institute of Internal Auditors (IIA) completed an external quality assessment of the Southern Internal Audit Partnership. The report concluded:

*'The mandatory elements of the International Professional Practices Framework (IPPF) include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.*

*It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.*

*We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).*

*We are pleased to report that SIAP conform with all relevant, associated elements.'*

### **Conflicts of Interest**

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

## Developing the internal audit plan 2021-22

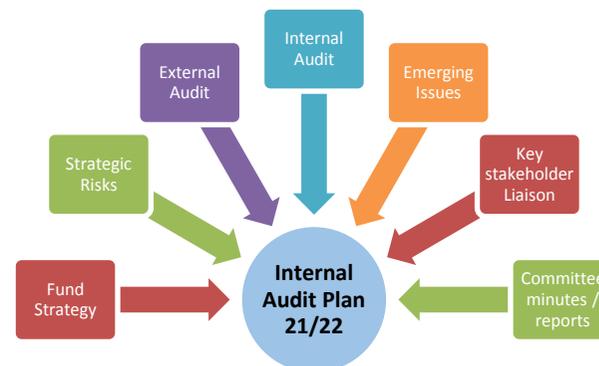
We have used various sources of information and discussed priorities for internal audit with:

- Carolyn Williamson – Deputy Chief Executive and Director of Corporate Resources;
- Andrew Lowe – Head of Pensions, Investments and Borrowing;
- Lois Downer – Deputy Head of Pensions;
- Andrew Boutflower – Deputy Investments and Borrowing Manager.

Based on these conversations with key stakeholders, review of key corporate documents and our understanding of the service, the Southern Internal Audit Partnership have developed an annual audit plan for the forthcoming year (2021-22) together with an indicative plan for 2022-23 and 2023-24.

The Hampshire Pension Fund Panel & Board are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



## Internal Audit Plan 2021-22 to 2023-24

Audit Review	Indicative scope	21 -22	22-23	23-24
Pensions payroll and benefit calculations	Annual review to provide assurance that systems and controls ensure that:- <ul style="list-style-type: none"> <li>• Lump sum and on-going pension payments are calculated correctly, are valid and paid to the correct recipients;</li> <li>• All changes to on-going pensions are accurate and timely;</li> <li>• Pension payroll runs are accurate, complete, timely and secure with all appropriate deductions made and paid over to the relevant bodies.</li> </ul>	✓	✓	✓
Pension starters	Review of the control framework to support appropriate, complete and prompt admission of new starters to the various pension schemes administered by Hampshire Pension Services (HPS).	✓		
Pension leavers	Audit of the controls to ensure accurate, prompt and complete administration of pension leavers including the production of on-going annual benefit statements within agreed timescales.	✓		
Transfers (including Notionals)	To provide assurance over the processes and controls to support the accuracy and timeliness of transfers in and out of the schemes managed by HPS.		✓	
Pension refunds	To assess that there are appropriate arrangements to ensure all refunds are valid, accurate and are paid promptly to the correct recipients following a validated request to withdraw from the schemes administered by HPS.			✓
Member deaths	To provide assurance that systems and processes ensure that any payments related to deceased members are calculated correctly and paid promptly to the correct recipient, with the risk of overpayments minimised.		✓	
Accounting for pension receipts	Review of the control framework to ensure that all funds due from employers are received promptly, are accounted for correctly and are reconciled to annual returns.		✓	

Audit Review	Indicative scope	21 -22	22-23	23-24
Governance arrangements	Review of the governance arrangements for Hampshire Pension Services and Hampshire Pension Fund Panel and Board and assurance over compliance with the arrangements.	✓		
	<p><i>*This review is currently scheduled for Q4. The aim is to undertake the review following the recommendations of the Scheme Advisory Board’s Good Governance Phase 3 project. If the timing of the release of the Phase 3 requirements does not allow sufficient time for the PFPB to fully implement the proposals, the audit will be pushed back into 2022-23, and will be substituted by bringing forward an audit from the 2022-23 plan.</i></p>			
Fund management, investments and accounting for assets	Assurance over the development & approval of the Pension Fund Investment Strategy, compliance with the Strategy and that all assets are accounted for, held securely and all dividends/interest etc due is received.			✓
Fund pooling arrangements	Review of the governance arrangements for pooling investments and assurance that all investments are appropriate and approved.		✓	
UPM Application Review	Review of the UPM application including cyber security & access controls.			✓
Management	Planning, liaison, reporting, audit committee, external audit, advice	✓	✓	✓
Total Days		100		