

West Midlands Pension Fund
Internal Audit Plan
2023 - 2024



CITY OF
WOLVERHAMPTON
COUNCIL

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1 Introduction

- 1.1 The purpose of internal audit is to provide the Pensions Committee, Board and Executive Director with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Fund's agreed objectives. In order to provide this opinion, we are required to consider annually the risk management and governance processes within the Fund. We also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The true role of internal audit is to contribute to control by examining, evaluating, and reporting to management on its adequacy and effectiveness.
- 1.2 The purpose of this document is to provide the Fund with an internal audit plan for the 2023-24 financial year. This plan has been approved by Senior Management, individual audit timings and terms of reference will be agreed with the appropriate managers during the year.

2 Assessing the effectiveness of risk management and governance

- 2.1 The effectiveness of risk management and governance will be reviewed, where appropriate, annually, to gather evidence to support our opinion to Pensions Committee, Board and Executive Director. This opinion is reflected in the general level of assurance given in our annual report and where appropriate within separate reports in areas that will touch upon risk management and governance.

3 Assessing the effectiveness of the system of control

- 3.1 In order to be adequate and effective, management should:
- Establish and monitor the achievement of the Fund's objectives and facilitate policy and decision making.
 - Identify, assess and manage the risks to achieving the Fund's objectives.
 - Ensure the economical, effective and efficient use of resources.
 - Ensure compliance with established policies, procedures, laws and regulations.
 - Safeguard the Fund's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
 - Ensure the integrity and reliability of information, accounts and data.

These objectives are achieved by the implementation of effective management processes and through the operation of a sound system of internal control.

4 The framework of assurance

- 4.1 The framework of assurance available to satisfy an organisation that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation, will comprise a variety of sources and not only the work of internal audit.

Assessing the risk of auditable areas within the assurance framework

- 4.2 Risk is defined as “The threat that an event or action will adversely affect an organisation's ability to achieve its business objectives and execute its strategies.”

Source: Economist Intelligence Unit - Executive Briefing.

- 4.3 There are a number of key factors for assessing the degree of assurance need within the auditable area. These have been used in our assessment of each auditable area and are based on the following factors:

- Materiality
- Business impact
- Audit experience
- Risk
- Potential for fraud

5 Developing an internal audit plan

- 5.1 The internal audit plan is based, wherever possible, on management’s risk priorities, as set out in the Fund’s own risk analysis/assessment. The plan has been designed to, wherever possible, cover the key risks identified by such risk analysis. In particular, management have specifically requested that audits are linked to key risks, challenges and performance issues.

- 5.2 In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable themes and areas will be subject to audit. This ensures that key risk themes and areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.

It is recognised that a good internal audit plan should achieve a balance between clearly setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year.

Auditor’s judgement will be applied in assessing the resources required for each audit identified in the plan.

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5.3 Included within the plan, in addition to audit days for field assignments are:

- a small contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested. This allocation may be increased at the request and approval of management.
- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
- an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various management meetings and committees etc.

6 Considerations required of the Pensions Committee, Board and senior management

Does the plan include all the areas which would be expected to be subject to internal audit?

Does the plan cover the key risks as they are recognised?

Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?

7 How the internal audit service will be delivered

Resources required

The audit plan will be delivered by the City of Wolverhampton Council's internal audit team.

Communication of results

The outcome of internal audit reviews is communicated by way of written reports and where appropriate direct feedback or action plans. However, should a serious matter come to light, this will be reported to the appropriate level of management without delay.

Staffing

Employees are recruited, trained, and provided with opportunities for continuing professional development and are sponsored to undertake relevant professional qualifications. All employees are subject to the City of Wolverhampton Council's professional conversation process, which leads to an identification of training needs. In this way, we ensure that employees are suitably skilled to deliver the internal audit service. This includes the delivery of specialist skills which are provided by staff within the service with the relevant knowledge, skills, and experience.

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Quality assurance

All audit work undertaken is subject to quality assurance procedures as required by the Public Sector Internal Audit Standards.

Combined assurance

Where appropriate we will work in conjunction with the company's external auditors to ensure that the assurance both internal and external audit can provide, is focussed in the most efficient manner and that any duplication is eliminated.

8. 2023-2024 Internal audit plan

Specific Internal Audit Reviews		
Audit Area	Audit / Timing	Details / Audit Needs Assessment
Governance	Pension Fund Member Safeguarding Q1	A review of arrangements in place to ensure there are appropriate safeguarding measures for Fund members, including the provision of support regarding vulnerabilities and cost of living issues. (Medium).
Governance	Conflicts Management Q1	To provide assurance that the conflicts management policy adopted by Pensions Committee has been implemented and embedded into Fund activities (Medium).
Finance	Fund Accounting Q3	A review of controls following the transition to new procedures as a result of the Finance Transformation Project. (High).
Finance	Debt Monitoring Q4	To provide assurance that the debt management policy adopted by Pensions Committee has been implemented and embedded into Fund activities. (Medium).
Finance	Bank account management (Non Natwest bank accounts) Q4	A review of bank accounts to provide assurance regarding access/transactions, monitoring and reconciliations. (Medium).
Pension Services	Employer Onboarding Q2	A review of procedures and controls adopted prior to accepting new employers into the Fund (High).
Pension Services	Complaints Management Q2	A review of arrangements for the assessment and processing of complaints regarding service standards from members. (Medium).
Investments	Investment Management and Monitoring Q3	To review the controls, monitoring and reporting arrangements around the ongoing investments retained by the Fund. (High).

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Other audit work	
Follow up Reviews – Q3	To review the implementation of agreed key actions from the previous financial year
Counter Fraud	The provision of the Cabinet Office's National Fraud Initiative data matching exercise and any other work relating to counter fraud as requested by management, including the financial appraisal checks for new organisations requesting admission to the Fund.
LGPSC Review	In accordance with the established framework, we participate in the internal audit working group with partner fund auditors. On a rotational basis, partner fund auditors undertake annual reviews. For 2023-24 financial year, we are due to audit Governance arrangements.
Contingency and Consultancy	Special projects, advice, and assistance as and when required.
Pensions Committee and Board	The preparation of committee reports and attendance at committee and the Board.
Management	The management of the internal audit function.