

West Midlands Pension Fund

2024 – 2025 Internal Audit Plan



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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 2024-2025 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 WMPF Corporate Plan Key Themes and Risks

Contained within WMPF’s 2023 – 2028 Corporate Plan are their key goals and ambitions which are set over the following seven thematic areas:



The following risks were reported to the Pensions Committee on 27 September 2023:

Governance/Regulatory	Operational Resilience	Value Added Servicing	Funding & Economic Environment
New regulatory change and guidance	Resourcing constraints impacting the LGPS	Maintaining pace of change and reducing impact on customers	Market volatility
Knowledge and skills requirements	Resilience in WMPF’s human capital	Ability of WMPF to meet growing customer expectations	Forecasting and model risk
Audit provision and external assurance	Resilience of WMPF’s third-party suppliers		Investment strategy
Evolving standards for governance and reporting	Cyber and disaster recovery		Employer risk

5 The framework of assurance

- 5.1 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

- 5.2 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.

- 5.3 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

6 Developing an internal audit plan

- 6.1 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.
- 6.2 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.

6.3 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.

7 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?

8 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.

Quality assurance

All audit work undertaken by the team is carried out in accordance with the Public Sector Internal Audit Standards. The team have quality assurance procedures in place to ensure conformance with the 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.

9. 2024-2025 Internal audit plan

Internal Audit Reviews		
Audit Area	Audit Contact / Timing	Details /Audit Needs Assessment
Governance: IT Systems Management Arrangements	Head of Finance Q1	Review of arrangements regarding the control and monitoring of system access, changes and deletions.
Governance: Business Continuity Plans	Head of Governance Q3	A review of revised arrangements as part of the Fund's internal control framework
Governance: Nolan Principles	Head of Governance Q2	Overall assurance that WMPF can evidence compliance with the Nolan Principles.
Governance: Risk Assessment	Head of Governance Q4	Review of the arrangements for the sign off of the year end risk assessment as part of the Pensions Regulator Code of Practice
Finance: Key Financial Controls	Head of Finance Q3	Review of key financial controls following the ongoing development of systems including the increased use of Agresso within the Fund.
Investments: Assets not under Pool Management	Asst. Director Investments Q1	Full system review of arrangements for the control of assets managed by WMPF
Pension Services: Discretionary Policies	Asst. Director Pensions Q2	Review of death grants awarded as part of discretionary policies available to the Fund.
Other audit work		
Follow up Reviews	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 Assurance	Participation in the internal audit working group with partner fund auditors. Overall review of assurance documents provided by the Company. Completion of targeted audit work on a cyclical basis in conjunction with partner funds.
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.

10. glossary of terms

Definition of internal auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's 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.

Governance

The arrangements in place to ensure West Midland Pension Fund (WMPF) fulfils its overall purpose, achieves its intended outcomes for customers and operates in an economical, effective, efficient and ethical manner.

Control environment

Comprises the systems of governance, risk management and internal control. The key elements include:

- establishing and monitoring the achievement of the WMPF's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement
- the financial management of the WMPF and the reporting of financial management
- the performance management of the WMPF and the reporting of performance management.

System of internal control

The totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

Risk Management

A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating the risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities.

Risk based audit and assurance reviews

A review that:

- identifies and records the objectives, risks and controls
- establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- evaluates the controls in principle to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate
- tests the effectiveness of controls i.e. through compliance and/or substantive testing
- arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.

Pensions Committee

The governance group charged with independent assurance of the adequacy of the internal control environment and the integrity of financial reporting.

Assurance

A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if full comfort cannot be given. The Head of Internal Audit may be unable to give an assurance opinion if arrangements are unsatisfactory. Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the WMPF's policies, processes and controls and the second being managers' own checks of this first line.

Internal Audit standards



The internal audit team have adopted and comply with the standards as laid out in the Public Sector Internal Audit Standards.