



## **Internal Audit**

# **North East Scotland Pension Fund Internal Audit Plan 2025-28**

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# 1 Executive Summary

## 1.1 Introduction and background

Internal Audit's primary role is to provide independent and objective assurance on the Fund's risk management, control, and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Fund involving the examination and evaluation of the adequacy of systems of risk management, control, and governance.

The purpose of this report is to seek approval of the attached Internal Audit plan for 2025-2028.

All audits included in the attached plan, as well as those in future plans, will help inform Internal Audit's opinion on the adequacy and effectiveness of the Fund's framework of governance, risk management and control, which is expressed in an annual report, and provides assurance to the Pensions Committee. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for Management to consider.

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## 2 Internal Audit Plan

### 2.1 Plan development

In previous years a single-year Plan has been set out for the Committee's approval. This provided clarity over planned work during each financial year, as changes in the risk environment were often less pronounced over a shorter period. However, this provided less opportunity for the Committee to gain an understanding of the wider context or 'audit universe'. In addition, the Plan was regularly not concluded in full during the financial year to which it originally referred – due to changes in priority, risks, and resources.

There was therefore scope to develop and extend planning to provide a clearer picture of Internal Audit's work and priorities, and to provide flexibility in timing of elements of that work, over an extended period. Therefore, from 2022, the Committee approved a rolling three year plan, with the recognition that this would still be assessed each year and updates made as required.

In formation of the plan, Internal Audit:

- **Reviewed historic audit outputs** – The initial planning stage involved a review of completed work from across the previous years. This looked to gauge the assurance that had been obtained recently and develop a baseline that could be built upon with the current plan. Where it is hoped that the greatest coverage can be obtained in a single year, this is not always possible, so instead it will be ensured that there has been coverage over a number of years, both previously and forward looking.
- **Reviewed the agreed Plan for 2024-27** – In addition to the review of previous assurance work, the agreed plans for 2025/26 and 2026/27, agreed as part of the 2024-2027 plan overall, were reviewed. This is the starting position for the current plan; however this will change based on developments in year and the changing risk profile of the Fund.
- **Reviewed Management's progress in implementing agreed audit recommendations** – A review of the work of Management to implement audit recommendations. This looked to identify any areas where management has struggled to implement agreed actions, and where the risks remain, for these to be factored into the audit plan.
- **Reviewed different sources of information** – A suite of information, primarily Committee reporting and the Fund's Risk Register, was reviewed to further develop Internal Audit's understanding of the operations and issues of the Fund.
- **Reviewed information from other assurance providers** – Discussions were held and reports reviewed from other assurance providers.
- **Held discussion with key stakeholders** – Discussions were held with key stakeholders across the Fund. These discussions focused on three key areas:
  - Key risks within the auditable area.

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- Any recent or upcoming developments.
  - Suggestions for assurance reviews, including value adding pieces of work.
  - **Benchmarked against other funds** – A review of the Internal Audit plans for other funds as per their Committee reporting available online. This looked to gain an understanding of issues being faced by other funds and identify any auditable areas for North East Scotland.

The Internal Audit plan for the period April 2025 to March 2028 is presented in Appendix 1 to this report.

The plan details what Internal Audit anticipates being able to review in the year, assuming stability in resources available to the Section. The plan is flexible and can be amended to reflect changes in priority or because of new risks being introduced or identified, although consideration needs to be given to the requirement for Internal Audit to complete sufficient work to provide an evidence based annual opinion. Internal Audit will continue to review the Fund's risk registers and update its own risk assessments based on audit findings, throughout the Plan's term.

All audits included in the attached plan are part of a rolling programme of work, each element of which will help inform Internal Audit regarding the adequacy and effectiveness of the Fund's framework of governance, risk management and control, allowing assurance to be provided regarding those arrangements. . Focus will also be given to key risk areas across all reviews e.g. susceptibility and the occurrence of fraud. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for management to consider. This is the priority of the work however where there are opportunities to provide value adding work, this has been factored into the plan.

The time allocation for all audits assumes that systems to be reviewed are adequately documented, detailing the controls put in place by management, and that testing identifies that these controls are being complied with. If this is not the case, there will be an impact on the time taken to review planned areas and on the plan's achievability.

With approval of the plan, we will work with Management to schedule the audit work for the year. This will look to match our internal resourcing but also ensure that it is suitable for those relevant stakeholders across the Fund. We will look to ensure that management are not inundated with consecutive audits and that fieldwork, where most input is required, is at a time which does not clash with other priorities or commitments.

## **2.2 Undertaking planned work**

When commencing each planned audit, Internal Audit contacts Management responsible for the area to be reviewed along with any other nominated officer. They are reminded of the objective and scope of the review and of how Internal Audit intends to achieve the level of assurance required. Officers are invited to identify any specific aspects of the area to be reviewed that are of particular concern- and all of this is

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factored into the agreed scoping document. Where Internal Audit will from time to time carry out specific reviews around counter fraud, this will be a consideration for all reviews and factored into scoping where relevant as an inherent risk.

Once fieldwork has been completed, a draft report is issued to Management responsible for the area reviewed along with any other nominated officer. Prior to issuing the final report, Internal Audit seeks confirmation from the officers involved that they are satisfied with the report and actions agreed to address any identified issues.

Outputs from the Fund's Internal Audit plan will be shared with Aberdeen City Council's Audit, Risk and Scrutiny Committee after they have been considered by Pensions Committee.

Whilst undertaking planned work, it is possible that Internal Audit may identify governance issues that are not within the stated scope of the review being undertaken. Public Sector Internal Audit Standards require that Internal Audit report such instances to those charged with governance. In this respect, Internal Audit's reports may contain issues that appear to be "outwith scope".

### 3 Appendix 1 – 2025-28 Internal Audit Plan

Function	Auditable Area	Objective	Principal Risk	Assurance
<b>2025/26</b>				
North East Scotland Pension Fund	Key Administrative Processes	To provide assurance over the fulfilment of the key administrative processes across the Pension Fund.	Operational	Core
<b>2026/27</b>				
North East Scotland Pension Fund	Pensions Investments	To evaluate the effectiveness and compliance of investment strategies, ensuring alignment with regulatory requirements and Fund objectives.	Strategic	Core
<b>2027/28</b>				
North East Scotland Pension Fund	Pension Fund Governance Arrangements	To provide assurance over the governance arrangements and procedures in place including risk management and performance management.	Strategic	Core