South Tyneside Council

item 5

Pensions Committee

Date: 12 June 2026

Internal Audit Annual Report 2025/26 (for information and discussion)

Report Sponsor: Director of Business and Resources

Recommendation

1. The Committee is asked to comment on the proposed audit plan for 2026/27 and note the report.

Executive Summary

2. This report provides a summary of audit work completed by Internal Audit and our partners ISIO throughout 2025/26 and provides an overall assurance on the Tyne and Wear Pension Fund's ('the Fund') internal control environment. It also sets out the Internal Audit Plan for 2026/27.

3. Based upon the work undertaken, the overall adequacy and effectiveness of the governance, risk and control framework for the Pension Fund during 2025/26 has been assessed as:

   Full Assurance - There is a highly effective system of internal control which ensures objectives are achieved. No significant control weaknesses have been identified during the audit.

4. While Internal Audit made a small number of recommendations in the course of undertaking the 2025/26 audit programme, these are considered to be minor in terms of their impact on the overall objectives of the Fund. It is also considered that the weaknesses identified do not impact the operational functions of the Fund which are considered highly effective.

Contact Officer:	John Gettins, Head of Assurance and Risk

Background

5. Section 151 of the Local Government Act 1972 requires that authorities 'make arrangements for the proper administration of their financial affairs' which includes internal audit.

6. The Accounts and Audit Regulations 2015 require that each organisation "must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking account of public sector internal auditing standards or guidance."

7. The Global Internal Audit Standards (GIAS) and associated application notes are mandatory standards with which every Internal Audit provider delivering services in local government is required to comply.

8. The standards require that the chief audit executive (Head of Assurance and Risk) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management arrangements and control environment.

9. This annual report provides information to support that assessment for the Tyne & Wear Pension Fund.

Aims and Objectives

10. 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.

11. The Internal Audit team achieve this in the following ways:

    - Providing independent and objective assurance to key stakeholders including Pensions Committee, the Local Pension Board and the Assistant Director (Pension Fund) on the Fund's system of internal control;
    - Objective examination, evaluation and reporting on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources;
    - Providing advice and guidance to support management to understand its exposure to risks and advise on risk management principles / methods and appropriate controls / contingencies to manage risks;
    - Facilitating the administration of the National Fraud Initiative (NFI) where it utilises the Fund's data and supporting the implementation of the Council's counter fraud strategy.

- Liaising with and providing assurance to external auditors to support the auditing of the Fund's accounts.

Risk Assessed Internal Audit Plan

12. The 2025/26 Internal Audit Plan was agreed through discussions with management and Isio, the Council's specialist partner to deliver internal audits on technical pension and investment audits, and review of key risks facing the Fund.

13. The audit plans also include regular reviews of governance and strategy and pensions administration in line with the Society of County Treasurers report 'Good practice guidance: gaining assurance over the governance and administration of pension funds, and pension fund investment management – a guide for the internal auditor'.

Overall Opinion

14. To provide an opinion on the adequacy and effectiveness of the Fund's control environment for 2025/26 the following has been considered:

    - Audit activity undertaken during 2025/26, see Appendix 1.
    - Audit activity undertaken over the previous 2 years, i.e. 2023/24 and 2024/25 to reflect work undertaken across a 3-year strategic audit plan period. See Appendix 1.

The Opinion

15. Based upon the work undertaken the overall adequacy and effectiveness of the governance, risk and control framework during 2025/26 has been assessed as:

    Full Assurance - There is a highly effective system of internal control which ensures objectives are achieved. No significant control weaknesses have been identified during the audit.

16. This conclusion will feed into the Council's overall assessment of its governance arrangements through the Annual Governance Statement, to be published within the Council's Statement of Accounts.

17. There have been no significant issues or concerns identified during the course of our work which would impact on the overall control environment. However, in the course of delivering the audit programme, a small number of low priority recommendations have been made to further improve efficiencies and the wider control environment.

Caveat on opinion

18. The Internal Audit opinion is based upon audit work carried out across 2025-26, it also takes assurance from previous years' work where Internal Audit understands that the control environment has not significantly changed. However, until areas are audited again it is not possible to confirm there have been no significant changes.

Review / Quality Assurance Process

19. A robust quality assurance process is in place to ensure the accuracy of the draft report and supporting working papers are rigorously checked before being issued whilst the Director and key contact are able to challenge the findings and content of the draft report before it is finalised.

2026/27 Internal Audit Plan

20. The Internal Audit Plan has been established through discussions with management and Isio, the Council's specialist partner to deliver internal audits on technical pension and investment audits, and review of key risks facing the Fund. The full plan, including the scope of work for each audit, is attached at Appendix 3.

Risks

21. Risks have been considered as part of the audit planning process.

Recommendations

22. The Committee is asked to comment on the proposed audit plan for 2026/27 and note the report.

Reasons for Recommendation

23. The recommendation is made so that Pensions Committee can be satisfied there is a sound system of internal control in place.

Appendix 1

Internal Audit 3 Year Pension Fund Coverage

Assignment	2023/24 Opinion (1)	2024/25 Opinion (1)	2025/26 Opinion (1)
Governance Review (Deloitte/Isio)	Substantial	Substantial	Substantial
Funding and Investment Strategy (Isio)	Substantial	-	Substantial (Draft)
Border to Coast Fund Interaction	-	-	c/fwd In Progress
Benefit Awards (Death Grants)	-	-	Substantial
Breaches of the Law			Substantial (Draft)
Calls and Distribution			Substantial
Teesside Project			c/fwd In Progress
Opt -Out Process			Substantial
Pensioner Payroll			Full (Draft)
ESG Review (ISIO)	-	Substantial	
Review of Investment Monitoring (ISIO)	-	Substantial	
Admissions	-	Full	
Annual Pension Increase	-	Substantial	
Appointeeship Process	-	Substantial	
Benefit Awards (normal and deferred retirement)	-	Full	
Employer Covenant	-	Full	

(1) See Appendix 2 for definitions and descriptuions of assurance levels

Internal Audit 3 Year Pension Fund Coverage

Benefit Awards (child pensions)	Moderate	-	
Cashflow Management	Full	-	
Contributions	Substantial	-	
Data Quality	Substantial	-	
Payroll Processing	Substantial	-	
Performance Management	Substantial	-	
Risk Management	Full	-	

(1) See Appendix 2 for definitions and descriptuions of assurance levels

Assurance definitions

The tables below provide a narrative description for the assurances provided at Appendix 1.

South Tyneside Council – Assurance definitions	
Definition	**Description**
Full Assurance	There is a highly effective system of internal control which ensures objectives are achieved. No control weaknesses have been identified during the audit.
Substantial Assurance	There is an effective system of internal control which is designed to achieve objectives. Minor control weaknesses have been identified which prevent objectives being fully achieved and improvements are required.
Moderate Assurance	There is a sound system of control. Control weaknesses have been identified which put achievement of some objectives at risk and management action is required to address these.
Limited Assurance	The system of control is not effective with control weaknesses identified which put achievement of objectives at risk. Prompt management action is required to address these.
No Assurance	There is no system of control in place which result in objectives being rarely or never achieved. Immediate management action is therefore required.

Isio – Assurance definitions	
Definition	**Description**
Substantial	Mitigations and monitoring activities accord with accepted good practice and are operating to a high standard.
Adequate	The majority of mitigations and monitoring activities accord with accepted good practice and are operating, although some deficiencies exist which could result in financial and / or reputational loss.
Limited	Mitigations and monitoring activities in place offer scope for considerable improvement and result in a high risk of financial and / or reputational loss.
Inadequate	Mitigations and monitoring activities, where in place, require substantial improvement, and result in an unacceptably high risk of financial and / or reputational loss.

isio.

South Tyneside Council

Appendix 3

Internal Audit Plan 2026/27 DRAFT ONLY

Introduction

This document sets out our proposed internal audit plan for the Tyne and Wear Pension Fund (TWPF) for 2026/27 for the consideration and approval of the Pensions Committee.

In compiling this plan, South Tyneside Council's Internal Audit function has held discussions with audit partners ISIO. We have also discussed the plan with the TWPF management team.

The total resources available is 59 days with 14 days provided by ISIO, at a cost of £?, and 45 days delivered by South Tyneside Council, at a cost of £?.

Audit title	Outline scope of work	Indicative timing	Responsibility	Number of days
Governance	To undertake a high-level review of the Governance structure in place at the Fund, focusing in particular on the continued effectiveness of the Local Pension Board, and its interactions with the Pension Committee.		ISIO	?
Employer Covenant			ISIO	?
Annual Allowance			ISIO	?
Planning and engagement	Allocation of time for audit planning, contract management and reporting to Pensions Committee.		ISIO	
Sub Total (days provided by Isio)				

Audit title	Outline scope of work	Indicative timing	Responsibility	Number of days
Benefit Awards Ill Health Retirement	To review the process and perform substantive testing of Ill Health Retirements to ensure they are appropriately supported with medical certification and accurately calculated in line with guidance and member records.	Q2	Internal Audit	9
Performance Indicators	To review a sample of TWPF performance measures, including governance, funding and administration to ensure results are in line with LGPS Scheme Advisory Board (SAB) guidance.	Q1/2	Internal Audit	9
McCloud	To review arrangements in place to ensure McCloud remedy requirements have been identified, implemented and governed correctly.	Q4	Internal Audit	7
Cashflow Management	To review arrangements in place for managing and monitoring cashflows and investments.	Q3	Internal Audit	8
Admissions	To review arrangements and to ensure there are appropriate systems in place to admit new bodies and to remove employers who wish to leave the TWPF.	Q2	Internal Audit	8
Contributions	To review processes and controls in place to ensure contributions and supporting data are remitted accurately, completely and on a timely basis.	Q4	Internal Audit	8
Audit management	Allocation of time for Internal Audit input to audit planning, contract management and reporting to Pensions Committee.	Q1-4	Internal Audit	3
Sub Total (days provided by Council)				**45**
Total days (ISIO + Council)				

background papers **background papers** background papers

Internal Audit Annual Report 2025/26

The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:

Background Paper	File Ref:	File Location
TWPF Internal Audit Plan		Internal Audit
Internal Audit reports		Internal Audit