

## ***Internal Audit Policy***



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## 1. Introduction

The National Federation of Voluntary Service Providers' Pension & Life Assurance Scheme (PB number 67866) (the "Scheme") is an occupational pension scheme established under the laws of the Republic of Ireland and regulated by the Pensions Authority. The Trustees have approved the following internal audit policy as part of the Scheme's overall governance and in compliance with its legal requirements. The internal audit policy provides a framework within which internal audit is able to provide objective and independent assurance and advice to the Trustees.

## 2. Legislative Requirements

The Trustees have considered the following legislation and codes of practice in writing this internal audit policy:

- [Code of Practice for trustees of occupational pension schemes and trust retirement annuity contracts](#)
- [Pensions Authority – Obligations for Trustees of Defined Contribution \(DC\) master trusts](#)
- [Pensions Act, 1990, as amended](#) by the [European Union \(Occupational Pension Schemes\) Regulations 2021 – S.I. 128/2021](#)
- [Institutions for Occupational Retirement Provisions Directive \(the IORPs II Directive\) – EU 2016/2341](#)

## 3. Responsibilities for this Policy

The Trustees are responsible for compliance of the Scheme with their obligations under the Pensions Act in relation to the systems of internal control and the internal audit policy. The Trustees will determine the internal audit objectives for each year following a risk-based approach. The risk-based approach will consider the nature of each risk, the materiality and likelihood of occurrence.

The Chair of the Trustees will discuss these internal audit objectives with the Internal Audit Key Function Holder (KFH) and together they will agree the internal audit plan for the following year or time period, usually the year agreeing with the Scheme year end.

The Internal Audit KFH is responsible for implementing the internal audit plan, ensuring that they continue to meet the fit and proper requirements and meeting the roles and responsibilities of the Internal Audit KFH, as set out below.

The Trustees will review and update this Policy periodically, the period being not more than three years from the date of the last review.

## 4. Purpose and Scope

The purpose of this policy is to establish an effective and efficient internal audit function that assists the Trustees in monitoring and reviewing the Scheme's internal controls. The internal audit KFH will provide independent, objective assurance and appropriate services designed to add value and improve the Scheme's operations.

The internal audit KFH will seek to achieve an effective and efficient internal audit plan process, implementing the following objectives set by the Trustees:

- Assess and evaluate the Scheme's processes, procedures and internal control environment to assist with the management of operational risks.
- Appraise the relevance, reliability and integrity of governance, systems, financial and operating records, safe-guarding of assets, record-keeping and reports.
- Assist the Trustees in the effective discharge of their responsibilities by providing them with analyses, appraisals, recommendations and information concerning the activities reviewed.
- Review compliance with Scheme policies and procedures, legislative requirements and regulations.
- Provide outcomes that will generally improve practices across the Scheme.

The scope of the internal audit function includes the following:

- Scheme administration.
- Trustee oversight of outsourced functions and responsibilities.
- Trustee investment decisions and processes.
- Scheme governance.
- Risk management.
- Operation of the trustee bank account.
- Procedures for handling contributions.
- Procedures for payment of death in service benefits.
- Legislatively mandated compliance issues.
- Management of information-technology systems.
- Fit and proper requirements.
- Disclosure requirements.
- Any other areas and issues that the Trustees believe should be included in an internal audit plan.

The Trustees believe that scope described in this policy is proportionate to the size, complexity, risks and internal organisation of the Scheme.

## 5. Appointment of the Internal Audit Key Function Holder

The Trustees shall appoint an Internal Audit Key Function Holder using the Policy for the Selection, Appointment and ongoing Monitoring of Key Function Holders for Internal Audit and Risk Management.

The Internal Audit KFH cannot provide other KFH services to the Scheme.

The standard term for each appointment will be three years, with an option to extend the agreement for a further two years, if deemed appropriate.

The Internal Audit KFH is responsible for maintaining their compliance with the fit and proper requirements. The Internal Audit KFH must re-affirm their compliance with the fit and proper requirements and this must be considered by the Trustees. This review by the Trustees and any findings must be documented by the Trustees and retained, prior to the re-appointment of the Internal Audit KFH.

## 6. Removal of the Internal Audit Key Function Holder

The external service provider may be removed in accordance with the Scheme's Policy for the Selection, Appointment and ongoing Monitoring of Key Function Holders for Internal Audit and Risk Management and having due regard to the contents of this section.

The Trustees may remove the Internal Audit KFH in the following circumstances:

- The Internal Audit KFH has demonstrated a lack of willingness to comply with legal obligations, regulatory requirements, or professional standards, or has been obstructive, misleading, or untruthful in dealing with regulatory bodies or with a court.
- The Internal Audit KFH has breached a fiduciary obligation.
- The Internal Audit KFH has perpetrated or participated in negligent, deceitful, or otherwise discreditable business or professional practices.
- The Internal Audit KFH has been reprimanded, disqualified, or removed by a professional or regulatory body because of concerns regarding their honesty, integrity, or business conduct.
- The Internal Audit KFH has seriously or persistently failed to manage personal debts or financial affairs satisfactorily in circumstances where such failure caused loss to others.
- The Internal Audit KFH has been substantially involved in the management of a business or company that has failed, where that failure was occasioned in part by deficiencies in that management.
- The Internal Audit KFH was the subject of criminal proceedings, or an enforcement action related to their management of an entity or their commercial or professional activities which were then determined adversely to that KFH (including cases in which the KFH consented to an order or direction or was giving an undertaking not to engage in unlawful or improper conduct) and which reflected adversely on the KFH's competence, diligence, judgment, honesty, or integrity.
- The Internal Audit KFH has failed to maintain the qualifications necessary to fulfilling their KFH role.
- If the Internal Audit KFH indicates that they cannot continue to provide the function.
- If the Trustees identify any conflict of interest or impairment of objectivity impacting the Internal Audit KFH that cannot be resolved satisfactorily.

- Where the Internal Audit KFH is provided by an external service provider, at the end of Y years, as set out in this policy.
- Any other circumstance where the Internal Audit KFH has breached or failed to maintain compliance with the fit and proper requirements.

The Trustees may not remove or penalise the internal audit KFH:

- for performing those tasks assigned to them; or
- for reporting the Scheme to the Pensions Authority under the whistle-blowing provisions.

The Trustees must review the evidence supporting any of the above at a Trustee meeting. The Internal Audit KFH must be given the opportunity to attend the meeting and present any evidence in their defence. The Internal Audit KFH shall attend the meeting for the duration of the consideration of the evidence, but shall be asked to leave the meeting when the Trustees are ready to make a decision. The Trustees must make their decision to remove or retain the Internal Audit KFH and record this in the minutes of the meeting. The Chair of the Trustees shall communicate their decision the Internal Audit KFH within seven days of the Trustee meeting.

## 7. Role and Responsibilities of the Internal Audit KFH

### A. Independence and Objectivity:

The Internal Audit KFH must be independent and objectivity must be exercised in the conduct of internal audit work.

Internal audit engagements shall be performed with an unbiased and impartial attitude. Internal audit shall not be involved in the day to day operations of the Scheme.

To be effective, the Internal Audit KFH must be able to operate without being influenced or restricted when undertaking their responsibilities. For this purpose, the Internal Audit KFH reports will be sent directly to the Chair of the Trustees with respect to all audit findings.

If the Trustees or Internal Audit KFH identify any conflict or impairment then this should be reported to the Chair of the Trustees and considered at the next Trustee meeting. The minutes of the Trustee meeting will record how any potential conflict of interest are to be prevented or managed, as appropriate.

### B. Authority and access

The Internal Audit KFH shall have direct and unrestricted access to Trustees and those involved with the administration, investment and management of the Scheme. It is authorised to review all areas of the Scheme as set out in the Scope above and as agreed with the Chair of the Trustees as part of the internal audit plan for the current period. The Internal Audit KFH will have full, free and unrestricted access to the Scheme's operations, data and records, assets and personnel.

All Scheme Trustees, Scheme service providers and advisors, Scheme sponsors and their employees must fully co-operate with the Internal Audit KFH in relation to matters subject to review.

The following information will be relevant to the work of the Internal Audit KFH and must be made available where required to carry out their duties:

- Control procedures
- Benefit processes
- Banking records
- Payment records
- Details of any reported control breakdowns
- Details of any fraud, error or loss
- Material changes in processes or relevant legislation
- Relevant risk management papers such as the Risk Register and the Own Risk Assessment (ORA)

This is not an exhaustive list.

#### C. Confidentiality

Information acquired by the Internal Audit KFH in the course of an audit must remain confidential and must not be used for purposes outside the scope of the audit review.

#### D. Internal Audit Resourcing

The Internal Audit KFH will be undertaken by a suitably qualified and experienced person and specialist audit services support will be engaged as required. All work undertaken by the external service provider will be approved by the Chair of the Trustees.

#### E. Frequency of Internal Audit

The extent and frequency of internal audits will depend upon varying circumstances such as results of previous audits, relative risk associated with activities, materiality, the adequacy of the system of internal control and the resources available.

#### F. Tasks

The tasks of the Internal Audit KFH shall include:

- assess whether governance and risk management are working effectively.
- provide assurance that controls have been adequately defined.
- identify control weaknesses and make recommendations for correcting problems.
- monitor regulatory compliance.
- challenge current practices when appropriate.
- identify areas where training is required.
- document and report on findings.
- any other areas that the Trustees wish to be included in the internal audit plan.

## G. Methodology

A comprehensive set of audit working papers shall be prepared during each assignment. The working papers shall include:

- the objectives, risks and scope of the audit to be conducted, prior to the commencement of such audit; and
- process documentation, details of auditing procedures, results of testing, discussion records, a report on each process audited and correspondence with the Scheme's service providers and Trustees, etc.
- the findings and proposed recommendations on the completion of an audit, and, where appropriate, provide comments.

## H. Reporting responsibilities

The Internal Audit KFH will report directly to the Chair of the Trustees.

At the completion of an audit, the Internal Audit KFH will discuss their findings and recommendations with the appropriate people concerned. Their comments may be included in the final report. The Internal Audit KFH must give their findings and recommendations considered necessary. The report may include: reference to areas where weaknesses were encountered; suggested remedial measures and any general observations or recommendations considered appropriate; and a summary of actions taken or not taken in response to audit recommendations.

A final report will then be issued to the Chair of the Trustees.

A progress report will be presented quarterly to the Trustees. These reports will state the control measures that the Scheme has adopted that were assessed by internal audit; the method in which the internal audit was conducted; the observations and recommendations of internal audit and management responses to audit recommendations.

## I. Whistle-blowing

Where the Internal Audit KFH has reasons to believe that the Scheme:

- has a substantial risk that may materialise and impact the interest of members and beneficiaries  
or
- has materially breached the legislative requirements in the context of its internal audit obligations.

And that the Internal Audit KFH has reported this belief to the Trustees and the Trustees have failed to take appropriate action to remedy the risk or the breach within 21 days of the report, then the Internal Audit KFH must inform the Pensions Authority as soon as reasonably practicable.



## 8. Audit Reports and Implementation of Recommendations

The Internal Audit KFH will report regularly to the Trustees, at least quarterly. The Chair of the Trustees will receive all final reports from the Internal Audit KFH. The Chair of the Trustees may communicate with or meet with the Internal Audit KFH to ask questions and receive clarifications on the findings and recommendations.

The Chair of the Trustees is responsible for circulating reports received from the Internal Audit KFH to the other Trustees. All audit reports must be circulated to the Trustees within one month of their finalisation.

Where the report indicates that internal controls are operating within normal bounds then the Chair may choose to bring the discussion of the report to the next scheduled meeting of the Trustees. Where the report indicates that internal controls are not operating within normal bounds then the Chair must determine whether to call a meeting of the Trustees to consider the report and recommendations and determine whether immediate action is required from the Trustees.

The Trustees will consider the report of the Internal Audit KFH. The Trustees will seek and consider feedback from others, where it is considered appropriate. The Trustees deliberations and decisions will be recorded in the minutes of the Trustee meeting. These records will be maintained in a format that can be made available for inspection to the Pensions Authority. The Internal Audit KFH may be invited to attend the portion of the meeting considering the report and recommendations, as deemed necessary by the Trustees.

The Trustees will agree timelines and responsibilities for acting upon the findings and implementing the responsibilities. The Trustees may delegate responsibility for these actions to their service providers and advisors but remain responsible for ensuring that they are carried out. Where urgent action is required then updates or notification of completion of the required action can be communicated to the Chair of the Trustees. The Chair shall circulate such updates as agreed at the Trustee meeting. All completed, open and overdue actions will be reviewed and recorded at the next meeting of the Trustees and updates given.

The Trustees will review the work of the Internal Audit KFH in accordance with the monitoring and oversight process set out in the Outsourcing Policy. The review will be formally noted in the minutes of a Trustee meeting.

## 9. Relationship Between the KFH's and External Audit

The Internal Audit KFH will collaborate with the appointed external auditor with respect to all internal audit engagements conducted, as required, to facilitate the audit coverage and avoid duplication of work.

Both the internal auditor and external auditor may approach the Chair of the Trustee directly on any matter.

The Trustees will use the Scheme's risk assurance map to determine the assurances that are in place for each major area of internal control and determine how any review of these assurances should be allocated between the Scheme's service providers, their advisors, the Risk Management KFH and the Internal Audit KFH. The Chair of the Trustees will communicate the allocation of work in the planning process to the Internal Audit KFH.

## 10. Related Documents

- Governance Policy
- Policy for the Selection, Appointment and ongoing Monitoring of Key Function Holders for Internal Audit and Risk Management
- Risk Management Policy
- Risk Register
- Scheme's Own-Risk Assessment (ORA)

## 11. Approvals and Next Review Date

This document was approved and came into effect as follows:

Document Control	
Approved By	Mr John McHugo Chair of the Trustees of The National Federation of Voluntary Service Providers' Pension & Life Assurance Scheme
Date approved	25 <sup>th</sup> April, 2023
Approved by	Mr James Skehan, Professional Trustee for The National Federation of Voluntary Service Providers' Pension & Life Assurance Scheme
Date approved	25 <sup>th</sup> April, 2023
Next review date	25 <sup>th</sup> April, 2026
Previous versions	n/a



Signed:

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Date: 25<sup>th</sup> April, 2023

**John McHugo,  
Chairman.**



Signed:

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Date: 25<sup>th</sup> April, 2023

**James Skehan,  
Professional Trustee/Vice Chairman.**