

Internal Audit

# Institutions for Occupational Retirement Provision IORP II

# Internal Audit

## Key Function

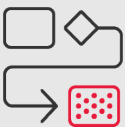
The IORP II Directive sets out standards in relation to an effective system of governance for Irish Occupational pensions schemes, as well as enhanced duties around member communications.



Risk management



Fitness and probity of trustees



Establishment of an internal audit function



Appointment of Key Function Holders (KFHs)

### IORP II Directive:

#### Internal Audit Requirements

Under article 21 of IORP II, it is required that trustees have in place an effective governance system, “which provides for sound and prudent management of their activities” and is subject to regular internal review. IORP II has introduced requirements for the establishment of three key functions: risk management, internal audit and where relevant, actuarial.

The key IORP II Internal Audit requirements are as follows:

- ▶ Trustees have a written internal audit policy, approved by management and reviewed on a regular basis (Article 21.3)
- ▶ The people carrying out the internal audit function should be fit to do so and, as such, are required to have adequate professional qualifications, knowledge and experience to properly execute their responsibilities (Article 22.1a (ii))
- ▶ The persons carrying out the internal audit function should be independent from other key functions (Article 24.2)
- ▶ If the Internal Audit function is provided to the scheme by the sponsoring organisation, the trustee has to detail how is conflict of interest managed (Article 24.3)
- ▶ The persons carrying out the internal audit function should be covered by the whistle-blower policy of the trustee (Article 24.5)

# Internal Audit

## BDO Services



### BDO Services

BDO can provide both specific, technical project services and Internal Audit support, on a co-sourced or outsourced basis, to help you meet the requirements of IORP II.

We have a team of skilled internal audit experts who specialise in financial services. In addition to our local team, we have been able to leverage the experience of international colleagues in countries where IORP II has previously been implemented. This allows us to bring greater efficiencies to our work and to allow you to directly benefit from the experience of pension schemes that have already implemented appropriate governance frameworks.

- ▶ Our team combines skills and experience from industry and regulatory backgrounds, enabling us to provide robust and proportionate advice to Pension Schemes
- ▶ We have considerable experience in the financial services sector, acting as internal auditors and advisors to many clients
- ▶ We recognise that the delivery of regulatory support and quality internal audit can be achieved in a bespoke and collaborative manner. We meet our clients' needs through continuous communication, a partner led approach, and comprehensive reporting to the Board as required.

# BDO: Committed Advisors to Pension Schemes

Knowledge and experience across the pensions industry

With the impending transposition of IORP II, change is on the horizon for the pensions sector in the Republic of Ireland. While the fundamentals of focus for the sector, such as the central importance of solvency, will remain unchanged, competition, regulation and customer and stakeholder expectations continue to evolve.

**Beyond the day-to-day challenges of running a regulated business, we recognise the concerns of the pensions sector:**

- ▶ An evolving compliance environment with a shift toward forward-looking risk-based supervision and a new focus on the culture of trustees
- ▶ Aging populations, increasing number of Fintech providers and the ever-present threat of cyber attack
- ▶ Climate change and the environmental impact of investment portfolios
- ▶ The continued growth in importance of social responsibility and sustainability
- ▶ The search for durable income strategies and investing beyond the pandemic
- ▶ The expectation of robust governance structures, comprehensive risk management frameworks and policies and the introduction of KFH.

BDO understands the complexities of working in this evolving market and regulatory landscape. We are committed to providing support that adds value.

## Broad client experience

We have extensive experience in setting up internal audit functions. Our pragmatic and risk-based approach to internal audit stands out in the market and delivers real benefits. Our clients include pension firms, asset managers, wealth managers, wholesale insurance brokers, general insurers, FX and online brokers.

## Pragmatic and proportionate solutions

BDO differentiates itself as a firm with its philosophy of clear and open communications. Our objective is to help our clients to be successful. Key aspects of our working style include the following:

- ▶ We use senior, experienced staff who will recommend pragmatic, workable solutions that are tailored to our clients' business and who will develop valued relationships with you
- ▶ We work closely with our clients' teams to ensure that our findings and recommendations are proportionate, relevant and tailored to their needs
- ▶ Throughout our engagements we share our experience and knowledge of good practice and regulatory expectations, where applicable.



# BDO firm overview

## BDO Ireland

BDO have been providing professional services to the Financial Services sector in Ireland for many years. We continue to invest in the processes, systems and above all in the people who form our Financial Services team. Our team of dedicated specialists are on-hand to assist you in providing assurance and identifying efficiencies.

We understand the complexities of the pensions market. We can advise across the full suite of services to ensure compliance with complex legal and regulatory requirements and ever-changing laws.

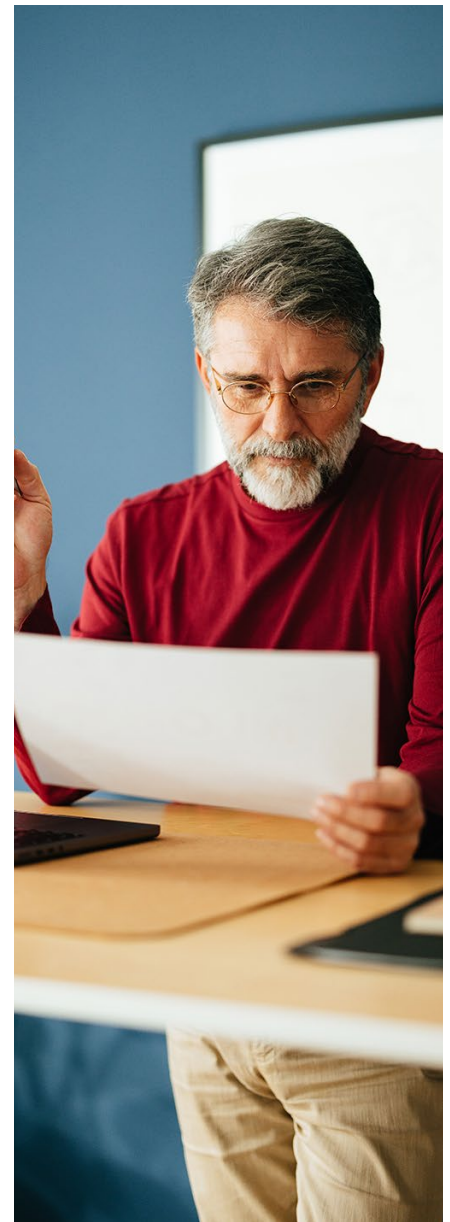
We are a professional services firm that combines an entrepreneurial spirit with a full-service capability. We will provide extraordinary responsiveness and deliver exceptional value to your pension scheme from our offices in Ireland and across our global network.

Our team works closely with our clients to assist with the management of risk and the achievement of strategic business objectives through proper internal control systems. Our professionals will work to provide the value-added risk management capabilities needed to mitigate business risk, support your business strategy and continuously improve your operational performance.

Our solutions are constructed to be comprehensive, objective descriptions of the potential risks, uncertainties and areas of concern that a client may face.

Our capabilities in Ireland cover significant aspects of leading pension firms, banking, insurance, wealth and asset management, including:

- ▶ Internal Audit Outsourcing and Co-Sourcing
- ▶ Subject matter resources to guide technical audits
- ▶ Governance
- ▶ Enterprise Risk management
- ▶ Information Technology and Cybersecurity
- ▶ Actuarial services
- ▶ Regulatory and compliance analysis
- ▶ Preparation for and response to regulatory inspections
- ▶ Fraud and Forensic Investigations.



# BDO firm overview

## BDO Ireland – breadth of services

### Breadth of services

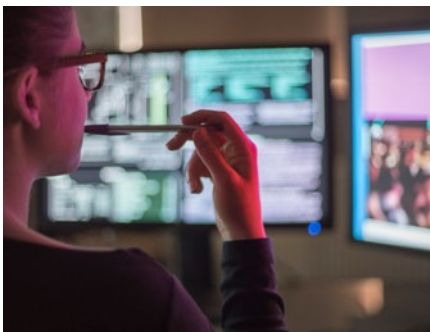
#### Levels of expertise available in specialist areas

BDO can offer all of the services which you would expect from a leading professional services firm.

We have detailed opposite the key specialist services which may be of assistance to you either now or in the future.

#### Technical Specialists

Throughout our work we may identify areas where specialty resources will need to be leveraged to complement the strengths and skills of the core team. As you will expect of a truly global professional services firm, we have an extensive range of skills across our advisory functions that will be on hand to provide expert knowledge as needed. We will work with you during audit planning to agree on the best use of our specialists.



#### Taxation Services

- Capital Allowances
- Corporate Tax
- Corporate International Tax
- Human Capital
- Partnership Tax
- Private Client Services
- Tax Support For Professionals
- VAT and Indirect Taxes
- Tax Dispute Resolution
- Budget.

#### BDO Drive Solutions

- BDODrive
- Outsourced Bookkeeping and Accounting
- Business Planning and Advisory
- Company Formation and Company Secretarial
- Financial Reporting
- Global Compliance & Reporting
- Information Technology Outsourcing
- Payroll.

#### Mergers and Acquisitions

- M&A
- Broking
- Debt Advisory
- Strategic Review
- PLC Advisory.

#### Global Outsourcing

- Global Managed Compliance
- Off-Shoring
- Technology Advisory Services.

#### Assurance Services

- Internal Audit
- Risk Management
- Corporate Governance
- Cyber Security
- External Audit
- Corporate Reporting
- Consultation Submissions
- Transparency Report
- Attestation.

#### Business Restructuring

- Advisory
- Insolvency

#### Management Consultancy Services

- Financial Management
- Organisational Development & Leadership
- Education
- Local Government
- Healthcare Advisory
- International Projects Group
- Infrastructure Advisory & Project Finance.

#### Forensic Services

- Tax Investigations
- Valuations
- Forensic Accounting Unit (FAU)
- FS Advisory.

#### Transaction Services

- Transaction Support, across Public Companies, Private Equity, Corporate and Banks.

# BDO firm overview

BDO Global



## Global Reach

BDO is one of the world's largest professional services firms. We have outlined below a number of key elements that demonstrate our ability to serve pension schemes with strength and depth.

## Global Expertise

BDO's global network extends across 164 countries and territories, with 111,307 people working out of 1,803 offices towards one goal: to provide our clients with exceptional service. Our firms across the network co-operate closely and comply with consistent operating principles and quality standards.

That means local resources who understand your business, your local and international markets and the specifics of your industry: all backed by a truly global network.

Our global commitment to exceptional client service means that we deliver what we promise, when you need it. We are big enough to be able to access the best group of experts for your needs from our national and international network, and we are small enough to be responsive and innovative in how we tackle our clients' challenges.

Our excellent global average staff to partner ratio means that our clients receive the right focus from the right people:

people who are empowered and whose approach is hands-on. We can provide the perfect contact for your needs, no matter where in the world you are.

## BDO Global IORP II Experience

At BDO Ireland we work closely with BDO colleagues around the world and add value to our client engagements through the sharing of experience and knowledge.

While internal audit as a function is a new requirement under IORP II for Irish pension funds, it is an established function within pension funds in other countries.

BDO Belgium has been appointed as internal auditor for more than 50 Belgian pension funds. This extensive experience has enabled them to standardise their approach, methodology and working documents.

We believe that this is key differentiator that sets us apart. You will benefit from our shared BDO experience and learnings, from establishing to managing internal audit functions over the past eight years. Through access to this experience, BDO Ireland will add even greater value to your pension schemes through benchmarking their control maturity with that of peer organisations.

Examples of pension fund internal audit clients of the BDO's Global Pension Fund Internal Audit Working Group are:



# Internal Audit

## Approach and Methodology

**Our approach to Internal Audit stands out from the competition and delivers real benefits.**

### Our methodology

Our internal audit methodology complies with the IIA IPPF and Standards and is a riskbased approach which naturally leads to the identification of risks that are not adequately controlled. These control gaps can be the result of missing controls, controls that have not been well designed, or because controls are not operating effectively. This approach allows us to recommend either new controls, or revisions to existing controls that will enhance the control environment and add value to your operations through the achievement of critical objectives.

Our methodology includes strong communication and transparency throughout. We operate on a no surprises basis. If issues arise these are discussed immediately with the relevant stakeholders for the audit.

### Our service delivery approach

Our approach to providing this service is divided into five phases:

Understanding your business and the environment in which you operate.

Developing a best in class internal audit framework.

Assessing your risks and developing your Internal Audit Plan.

Carrying out risk based and value-added internal audit assignments.

Best in class internal audit reporting, including two part conclusions on the design and operational effectiveness of your systems.

### Typical internal audit delivery models

There are typically three internal audit delivery models applied in industry, each of which BDO can support you with:

**Outsourced** – the Head of Internal Audit and internal audit team are provided by BDO

**Co-sourced** – the Head of Internal Audit and potentially some of the internal audit team are in-house with BDO providing the balance of resources and expertise

**In-house** – all internal audit is provided in-house, potentially using some external expertise and resources from time to time.

### Examples of internal audit reviews

Some key areas of focus for Internal Audit include, but are not limited to:

- Governance and Scheme Management
- Administration and Member communications
- Member benefit calculations
- Investment Management
- Actuarial
- Risk Management
- GDPR
- Outsourcing
- IT and Cybersecurity.



We engaged the CIIA to carry out our most recent External Quality Assessment and, in summary, their conclusion was:

*“It is our view that the working practices of BDO RAS generally conform to all 56 of the 56 principles... RAS is also generally conforming to all PSIAs... We consider this to be excellent performance which places RAS in the top quartile of internal audit functions we have reviewed. Overall we have been impressed with the professional, risk based approach to the delivery of internal audit within client organisations.”*

Our approach is to select staff with the particular skills required for an individual audit. In working with you to develop, refine and prioritise key areas of focus in the context of the annual plan, we will identify which reviews would benefit from subject matter expertise and build this into the plan.

**How BDO can add value**

In order to ensure that your selected Internal Audit providers meet your requirements, we have identified below what we believe are the key criteria you should consider when making your decision:

Key Criteria	What you need	What BDO will bring
<b>The Right Design</b>	A co-sourced or outsourced internal audit function to provide the Board assurance on internal controls and governance, and to assist in developing a leading practice control environment.	A solution which will utilise the know-how, best practice knowledge, expertise and technologies of the BDO team. The internal audit function will be established in line with IIA standards and regulatory expectations.
<b>The Right People</b>	A highly experienced and hands-on team, complemented by sector specialists to deliver exceptional client service with deep industry insights.  Assurance that your internal audit team will add value to each review.	BDO believes that open and frequent communication is essential to provide our clients with a high quality service.  Our team will respond promptly and be proactive about potential issues. We will provide recommendations and practical assistance in managing your risks.  Our model allows for working in collaboration and partnership with your management team, providing training where required and investing in your people as part of our Internal audit proposition.
<b>The Right Technologies</b>	Ability to undertake data analytics on complete data sets.  The potential for 'continuous auditing'.	We use bespoke data analytics to add value and enhanced insights to our work. We do not use IT unless it creates efficiencies.  We invest time in the processes which would benefit from 'continuous auditing' so that you will have access to real-time data and assurance throughout the year.
<b>The Right Service</b>	An internal audit partner that wants to help you succeed and understands the complexity of your business and the risks involved.	BDO's core purpose is 'Helping You Succeed'. The 'You' refers not only to our clients, but our employees and communities as well.  We are committed to ensuring our clients will experience a first class service from BDO.
<b>Maximum Value</b>	Maximum value from your assurance provider.	Our clients have access to:  Training for Boards  Training for Management  All BDO publications  Invitations to events and seminars  A bespoke portal set-up for key audit stakeholders.

# About us

Global reach, global expertise

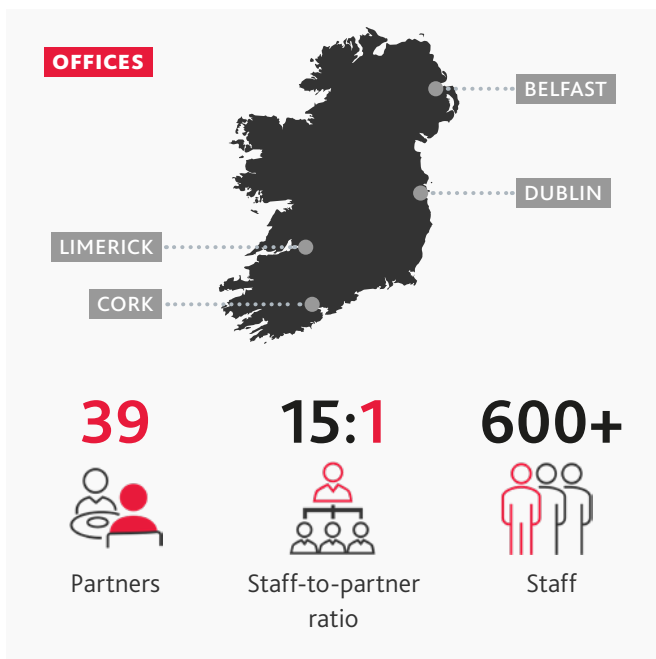
## BDO Ireland

At BDO Ireland, we operate a partner-led approach in all our client dealings which ensures our partners and directors are highly accessible to clients. Each client is appointed a client liaison partner to oversee operations and communicate with you directly. Through our own professional expertise and by working directly with businesses, we've developed an unique insight into what makes a business successful.

It's this insight that makes us true business advisors, rather than mere financial consultants.

### BDO Ireland: Quick stats

- ▶ Practice founded in 1982
- ▶ Offices in Dublin, Limerick Cork and an affiliate office in Belfast.
- ▶ 39 partners
- ▶ 600+ staff nationally
- ▶ Staff-to-partner ratio of 15:1



## The BDO International Network

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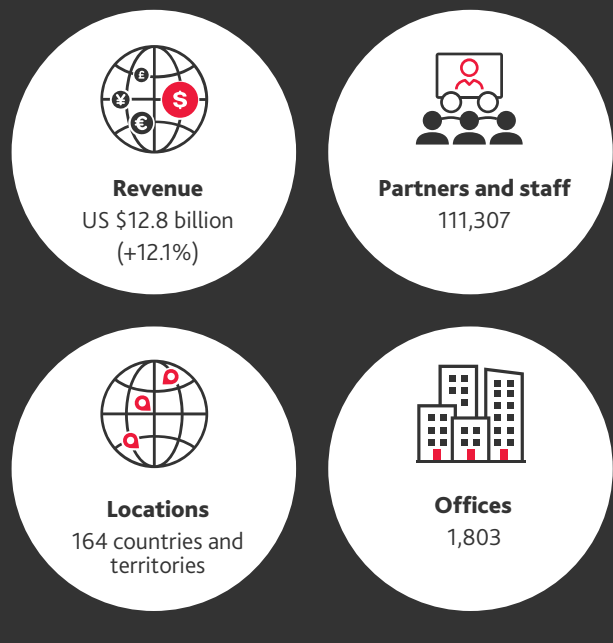
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