

Annual Internal Audit Report 2016/17 and the proposed Internal Audit Plan 2017/18

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Board before taking effect.
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Recommendation: the Board note the Internal Audit Report for 2016/17 and consider the proposed Internal Audit plan for 2017/18 and consider whether it wishes to make any comments to the Investment and Pension Fund Committee.

1. Annual Internal Report – 2016/17

- 1.1. The Head of Devon Audit Partnership is required to provide the Authority with an assurance on the system of internal control of the Fund. It should be noted, however, that this assurance can never be absolute. The most that the internal audit service can do is to provide a reasonable level of assurance, based on risk-based reviews and sample testing, that there are no major weaknesses in the system of control. In assessing the level of assurance to be given the following have been taken into account:
- all audits undertaken during 2016/17, and prior years;
 - any significant recommendations not accepted by management and the consequent risks;
 - internal audit's performance;
 - any limitations that may have been placed on the scope of internal audit.
- 1.2. In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report.
- 1.3. The final audit reports also include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process.
- 1.4. Management are provided with details of Internal Audit's opinion on each audit review carried out in 2016/17 to assist them with compilation of their individual annual governance assurance statements. If significant weaknesses have been identified in specific areas, these have been considered by the Authority in preparing its Annual Governance Statement which will be included with its published Statement of Accounts for 2016/17.
- 1.5. Overall, and based on work performed during 2016/17 and prior years, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Fund's internal control environment.

2. Internal Audit Plan 2017/18 and the Service Level Agreement

- 2.1. Under the Local Government Act 1972 the Authority, and specifically the Chief Financial Officer (the County Treasurer), has a statutory duty to “make arrangements for the proper administration of their financial affairs”. Assurance that this is the case is given through the reporting of Internal Audit. The audits have been carried out under the terms of Accountancy and Audit Regulations 2015 and in accordance with the Public Sector Internal Audit Standards.
- 2.2. The Internal Auditors for the Pension Fund are responsible for ensuring that all financial systems are operating effectively and in line with the Authority’s financial regulations. This is achieved through the two audit plans: one for the Devon Pension Fund and one for Peninsula Pensions.

The Aim of the Plans

- 2.3. The plans are reviewed and agreed on an annual basis, incorporating the key risks identified through the risk registers, discussions with senior managers and areas identified by Internal Audit. Our plan will be shared with external audit colleagues to prevent duplication in work, and to maximise audit coverage across systems, including financial systems
- 2.4. The main objectives of the plan are to provide assurance to the County Treasurer, Members and the external auditors that systems are:
 - Secure
 - Effective
 - Efficient
 - Accurate
 - Complete
 - Compliant
- 2.5. In order to confirm this risk based reviews, system reviews and compliance testing are completed at the Fund’s administrative offices and at Peninsula Pensions’ offices.

The Plan

- 2.6. The audit plans for the financial year 2017/18 allows for up to 40 days of internal audit support for the Pension Fund and 45 days of internal audit support for Peninsula Pensions.
- 2.7. We have worked with senior management to determine the key risks to the Fund and from this have developed a plan for the coming year. The plan considers both financial and non-finance based systems, and our work will provide assurance to the County Treasurer and Members on the effectiveness of arrangements. Our working papers are available to external audit colleagues for their consideration in planning their work.
- 2.8. The Internal Auditors will liaise with the Fund’s external auditors to discuss the testing planned to ensure this supports their requirements and reduces their need for review of these financial systems. The remainder of the planned days incorporates reviews of specific systems as identified through an audit risk assessment process, the Authority’s risk register and liaison with management.
- 2.9. Any major findings (if applicable) from the previous year’s audit plan will be reviewed to ensure that agreed recommendations have been implemented and are effective.

Timetable

- 2.10. The audits will be completed at specified times of the year through consultation and prior agreement of the Assistant County Treasurer (Investment & Treasury Management) and the Peninsula Pensions management. This will also take into account the timetable of external audit where applicable.
- 2.11. All findings will be reviewed with senior management at the end of each audit programme and prior to the issue of reports.
- 2.12. A copy of all final reports will be forwarded to our External Auditors, Grant Thornton, for their information.

Service Level Agreement

- 2.13. The audit plan for 2017/18 is attached for consideration and will be forwarded for approval of the Pensions and Investment Fund Committee.

3. Conclusion

- 3.1. The Board is asked to note the Internal Audit Report for 2016/17 and consider the proposed Internal Audit plan for 2017/18 and consider whether it wishes to make any comments to the Investment and Pension Fund Committee.

Mary Davis

Electoral Divisions: All

Local Government Act 1972
Accounts and Audit Regulations 2011

List of Background Papers - Nil
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