

Annual Internal Audit Report 2014/15 and the proposed Internal Audit Plan 2015/16

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

- Recommendations:**
- (a) That the Committee formally accepts the Annual Internal Report for 2014/15.**
 - (b) That the Committee formally approves the Internal Audit Plan for 2015/16.**
 - (c) That members authorise the Assistant County Treasurer Investments to execute the Service Level Agreement relating to the Internal Audit Plan.**

1. Annual Internal Report – 2014/15

- 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 reasonable 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 completed during 2014/15
 - 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. Our 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 have been provided with details of Internal Audit's opinion on each audit review carried out in 2014/15 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 2014/15.

- 1.5. Overall, and based on work performed during 2014/15, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Fund's internal control environment.

2. Internal Audit Plan 2015/16 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 2011 and in accordance with the Public Sector Internal Audit Standards.
- 2.2. As the Internal Auditors for the Pension Fund it is our responsibility to ensure that all financial systems are operating effectively and in line with the Authority's financial regulations. We achieve this 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. The plan also incorporates the requirements of the External Auditors in reviewing finance systems.
- 2.4. The main objectives of the plan are to provide assurance to the County Treasurer and the external auditors that all financial 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 2015/16 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. This covers the financial audit reviews required as part of Internal Audit responsibilities in reporting to the County Treasurer, but also satisfies external auditors, of the security and effectiveness of the financial systems. As your Internal Auditors we will provide the documentation required by external audit to ensure they are satisfied with operations.
- 2.8. We liaise with the Fund's external auditors to discuss the testing planned to ensure this satisfies 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 any draft reports.

2.12. A copy of all final reports will be forwarded to your External Auditors for their information.

Service Level Agreement

2.13. Execution of the above agreement is required in support of the Audit Plan now envisaged for 2015-16.

Mary Davis

Electoral Divisions: All

Local Government Act 1972
Accounts and Audit Regulations 2011

List of Background Papers - Nil

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