

Proposed Internal Audit Plan for 2024/25

Report of the Director of Finance and Public Value

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

1) Recommendation

That the Board be asked to:

- (a) consider the proposed Internal Audit plan for 2024/25
- (b) consider whether it wishes to make any comments to the Investment and Pension Fund Committee.

2) Introduction

- 2.1 Under the Local Government Act 1972 the Authority, and specifically the Chief Financial Officer (the Director of Finance and Public Value), 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 are carried out in accordance with the Accounts and Audit Regulations 2015 and in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 2.2 Public Sector Internal Audit Standards (PSIAS) require the purpose, authority, and responsibility of Internal Audit activity to be formally defined in an Internal Audit Charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.
- 2.3 The latest Internal Audit Charter and Strategy 2021/22 for Devon County Council was approved at the 25th February 2021 Audit Committee meeting. The document can be viewed at [Democracy Devon Audit Committee](#).
- 2.4 The Internal Audit Charter and Strategy is applied in relation to Devon Pension Fund and Peninsula Pensions Internal Audit activity, with associated reporting provided to the Devon Pension Board and Investment & Pension Fund Committee.

3) Internal Audit Plan 2024/25 and the Service Level Agreement

- 3.1 The Internal Auditors for the Pension Fund are responsible for providing assurance that financial and other systems are operating effectively and in line with legislation and the Authority's financial regulations. This is achieved through two audit plans: one for the Devon Pension Fund and one for Peninsula Pensions
- 3.2 The Internal Audit Service for the Pension Fund is delivered by the Devon Audit Partnership. This is a shared service arrangement between Devon, Plymouth, Torbay, Mid Devon, North Devon, South Hams and West Devon and Torridge councils constituted under section 20 of the Local Government Act 2000.
- 3.3 The audit plans for the financial year 2024/25 allow for up to 35 days of internal audit support for the Pension Fund and 50 days of internal audit support for Peninsula Pensions, providing 85 days of internal audit provision overall. Further detail is set out in Appendix 1.

4) Conclusion

- 4.1 The Board is asked to consider the proposed Internal Audit Plan for 2024/25 and consider whether it wishes to make any comments to the Investment and Pension Fund Committee.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

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Internal Audit

Internal Audit Plan 2024/25

Devon Pension Funds
Audit Committee

January 2024

Not Protectively Marked

Devon Audit Partnership	Confidentiality and Disclosure Clause
<p>The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon and Torridge councils. We aim to be recognised as a high-quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devonaudit.gov.uk .</p>	<p>This report is protectively marked in accordance with the government security classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p>

Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within the Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Leadership Group. The Audit Committee, under its Terms of Reference contained in the Council's Constitution, is required to consider the Internal Audit Plan to provide assurance to support the governance framework (see Appendix 2).

This Council's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) as represented in the audit framework at Appendix 1, and the scope of Internal Audit work. The PSIAS refer to the role of 'Chief Audit Executive'. For the Council this role is fulfilled by the Head of Devon Audit Partnership.

The Chief Audit Executive is responsible for developing a risk-based plan which considers the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation as represented in Appendix 3.

The need for robust and effective controls to ensure that resources are used to the best effect and deliver the authority's objectives has never been greater. Internal audit helps provide independent assurance that risks are known, understood and addressed, and that systems and procedures are sound, effective and free (as far as can be) from waste, error or fraud. Preparing a plan that addresses the emerging risks and developing areas for the council, whilst still covering the material and cross cutting systems is essential and ensures that internal audit resources are directed in the most appropriate way.

The audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. At the start of each audit the scope will be discussed and agreed with management with the view to providing management, the Director of Finance (Section 151) and members with assurance on the control framework to manage the risks identified. The plan will remain flexible and any changes will be agreed formally with management on a regular basis and reported to Audit Committee.

Expectations of the Audit Committee for this annual plan

Audit Committee members are requested to consider: -

- the annual governance framework requirements;
- the basis of assessment of the audit work in the proposed plan;
- proposed areas of internal audit coverage in 2023/24.

In review of the above the Audit Committee are required to consider the proposed audit plan.

Tony Rose - Head of Devon Audit Partnership

Annual Flexible Audit Plan

There has been a growing trend in the sector towards more flexible audit plans to enable internal audit to be more responsive to changing risks, in turn maximising resource focus to clients needs as and when needed – *Agile Auditing*. Circumstances with the pandemic have highlighted the needs and benefits of this, where significant in year changes have been made to the 2021/22 audit plan, following which there has been further request to change them again – *they need to be more fluid*. This principle looks set to continue and has several benefits with ever changing priority and related risks. This continued into 2022/23 and will be a constant feature going forward. Key benefits provide for:

- reduction in non-productive resource planning - current pandemic circumstances require significant plan changes.
- improved opportunity to keep plan aligned to current risks within Service Areas and as a whole for the Authority.
- more effective and timely pre-audit engagement with Service Leads.
- greater and more regular discussion with client leads – supporting current risk and work priorities.
- the current trend for more flexible audit plans – agile auditing.
- experience that plans change regularly.
- changes in external risk drivers are more easily picked up in audit assurance needs.

Our audit plans are always built around the risks identified through risk management, audit needs and perceptions of current issues and in discussion with client management. The audit resource delivery envelope has been extended this year to provide opportunity for greater depth of coverage and further extension of counter fraud work.

The indicative allocation resource over the service areas to meet this summary plan is set out in the pie chart here. This shows a good spread of coverage across service areas which we feel will provide good opportunity to provide assurance on the wider control framework from which to build our annual assurance opinion.

Since 2021/22 the approach was changed to scope, schedule and resource plans throughout the year with Service Leads in an agile way incorporating risk changes as necessary. This was effective and this approach will continue in 2023/24.

THE AIM OF THE PLANS

The audit plans are agreed on an annual basis, incorporating the key risks identified through the Fund's risk register and areas identified by Internal Audit in consultation with management. However, recent good practice also recognises that it is advisable for plans to remain flexible, to enable them to be amended according to prevailing risks and changes to the control environment in the organisation, so whilst the annual plan should be approved at an appropriate level, it should also be capable of being flexed as necessary. The plan will also be regularly reviewed alongside the service to provide any updates or noteworthy items.

Our plan will be shared with external audit colleagues to prevent duplication of work, and to minimise audit coverage across systems, including financial systems.

The main objectives of the plan are to provide assurance to the Chief Financial Officer and the external auditors that key systems are: -

- Secure
- Effective
- Efficient
- Accurate
- Complete
- Compliant

In order to confirm this risk-based reviews; system reviews and compliance testing are completed at the Fund's administrative office, Peninsula Pensions offices or remotely.

THE PLANS

The audit plans for the financial year 2024/25 allows for up to 35 days of internal audit support for the Pension Fund and 50 days of internal audit support for Peninsula Pensions, providing 85 days internal audit provision overall.

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 Senior Leaders and Members on the effectiveness of arrangements. Our working papers are available to external audit colleagues for their consideration in planning their work.

Any significant findings from the previous year's audit work will be reviewed to ensure that agreed recommendations have been implemented and are effective.

As part of the audit plan we will also provide assistance and advice and be a central contact point for senior management.

TIMETABLE

- The audits will be completed at specified times of the year through consultation and prior agreement with senior management.
- All findings will be reviewed with senior management at the end of each audit programme and prior to the issue of any draft reports.
- A copy of all final reports will be made available to the External Auditor for their information.

2024/25 PLANS

The following table sets out the planned internal audit work for 2024/25. Other issues and systems are sometimes identified during the course of the audits and, if found, will be discussed with senior management. These issues may be incorporated into future audit plans dependent upon priority and risk assessment.

The plans for both the Devon Pension Fund and Peninsula Pensions include following up of recommendations made previously at the next audit of that function or as part of other audits where there are links between functions / recommendations. This activity is shown within 'Audit Planning, Advice and Reporting' in the audit plan tables below, and briefly described at 4.6 in Section 1 of this report.

As detailed at 4.5 in Section 1 of this report, management track progress and completion of audit actions and report to the Devon Pension Board.

Devon Pension Fund Audit Plan 2024/25

Audit risk areas	Days
1. Private Market Accounts Reconciliation	10
2. Communications Policy and Compliance	8
3. Responsible Investment	8
4. Good Governance Review	7
5. Audit Planning, Advice and Reporting	2
Total days	35

Peninsula Pensions Plan 2024/25

Audit risk areas	Days
1. Employer Performance Reports (support with Power BI)	3
2. Employer Data Quality Review	8
3. Pension Admin Strategy Compliance	10
4. Quality Control and Assurance	8
5. McCloud	8
6. HMRC Reports	10
7. Audit Planning, Advice and Reporting	3
Total days	50

Our standard daily rate for this work will be £338, although specialist support may be at a different rate.

Tony Rose
Head of Devon Audit Partnership
January 2024