

## HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Pension Fund Panel
<b>Date:</b>	15 December 2010
<b>Title:</b>	Internal Audit Strategy 2011-2014
<b>Reference:</b>	2460
<b>Report From:</b>	County Treasurer

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## 1. Executive Summary

- 1.1. The purpose of this paper is to provide the Pension Fund Panel with an overview of the revised Internal Audit Strategy for Hampshire County Council and to highlight key changes to the internal audit focus and approach for the Pension Fund.
- 1.2. The attached appendices provide a copy of the revised Internal Audit Strategy to be introduced from 1 April 2011 (subject to Audit Committee approval on 9 December 2010) and a draft Strategic Audit Plan for the Pension Fund.

## 2. Contextual information

- 2.1. On 1 November 2010 Hampshire County Council and Southampton City Council agreed to a collaborative approach for the provision of a shared internal audit service.
- 2.2. The agreement introduces a shared Chief Internal Auditor role across both authority's in which three days a week are directed to fulfilling responsibilities at Hampshire County Council and two days at Southampton City Council
- 2.3. This initiative provides further scope to develop the shared service approach to best utilise areas of expertise across both authority's and generate economies of scale through training and development.
- 2.4. The Internal Audit Service at Hampshire County Council currently operate in accordance with the CIPFA 'Code' as reported by the District Auditor who stated that *'internal audit meets all required standards and their work can be relied upon for the purposes of my audit'*.

- 2.5. However, the Team operate in a very traditional manner working to a comprehensive strategic audit plan with a focus on detailed audits which check specific compliance as opposed to operating at a strategic level.
- 2.6. Internal Audit focus should be proportionate and appropriately aligned. Currently all low priority reviews are incorporated within the five year strategic plan to ensure the whole of the audit universe is reviewed within that timeframe.
- 2.7. The strategic audit approach has been adapted to ensure it:
  - aligns with the County Council's objectives;
  - is proportionate and focused; and
  - adds maximum value to the organisation
- 2.8. The Internal Audit Strategy for the County Council applies equally to the Pension Fund as to other areas of County Council business.

### **3. Issues**

#### **Reporting arrangements**

- 3.1. Since 2007/08 LGPS administering authorities have been required to prepare and publish a separate annual report and accounts (including an annual governance statement) for the pension fund under their administration to strengthen the reporting and governance requirements for the LGPS. The detail of these requirements are set out in Regulations.
- 3.2. However, to date, internal audit work relating to the Pension Fund has been incorporated in the internal audit plans and assurances provided for the County Treasurer's department and as such the results of this work have not been reported to the Pension Fund Panel.
- 3.3. The terms of reference for the Pension Fund Panel in the County Council's Constitution are:

'to administer the Pension Fund on behalf of the County Council as Superannuation Authority'.
- 3.4. As such, it is proposed that moving forward the Pension Fund internal audit plans and progress reports are presented to the Pension Fund Panel to support the Panel in the discharge of its duties as those charged with governance.
- 3.5. The revised strategic plan will not incorporate low priority reviews. All review areas will remain within the audit universe and be reassessed on an annual basis however will not be routinely incorporated if continued to be assessed as a low priority. The plan will remain fluid to ensure priorities for internal audit work can be re-aligned should the risk environment change during the year

3.6. The Internal Audit Strategy outlines reporting arrangements in section 6, however due to the specific nature of the Pension Fund, these arrangements will be adapted to ensure internal audit reporting for the Pension Fund is directed through the County Treasurer and the Pension Fund Panel. Internal audit reporting to the Pension Fund Panel will comprise:

- key changes to the Internal Audit Strategy, together with the agreed strategic audit plan
- a mid year progress report outlining a summary of internal audit performance, planning and resourcing issues as well as a summary of significant issues arising that impact on the Chief Internal Auditor's annual opinion
- an annual audit opinion presenting the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control. This assurance will feed into the process for producing the Annual Governance Statement.

3.7. Reports will in turn be received by the Audit Committee in accordance with their terms of reference.

3.8. These changes have been discussed with the District Auditor who raised no issues of concern regarding the proposed new strategy and approach.

#### **4. Conclusion**

4.1. The revised audit approach will operate at a strategic level providing a value adding, and proportionate, level of assurance.

4.2. Clear identification, monitoring and reporting of the independent internal audit assurance will support the production of the annual governance statement for the Pension Fund.

#### **5. Recommendation(s)**

5.1. That the Pension Fund Panel approves the changes in approach and reporting for the Pension Fund arising from the revised Internal Audit Strategy 2011-14.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

**This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because**

Member approval of the internal audit strategy in accordance with the Accounts and Audit Regulations (England) Regulations 2003 (as amended in 2006)

**Other Significant Links****Links to previous Member decisions:**

<u>Title</u>	<u>Reference</u>	<u>Date</u>
HCC Internal Audit Strategy update 2010	1406	25 March 2010

**Direct links to specific legislation or Government Directives**

<u>Title</u>	<u>Date</u>
The Local Government Pension Scheme (amendment) (No.3) Regulations 2007 (SI 1561 of 2007)	

**Section 100 D - Local Government Act 1972 - background documents**

**The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)**

<u>Document</u>	<u>Location</u>
None	

## **IMPACT ASSESSMENTS:**

### **1. Equalities Impact Assessment:**

- 1.1. Equality objectives are not considered to be adversely affected by the proposals in this report.

### **2. Impact on Crime and Disorder:**

- 2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime. However, internal audit work is planned to ensure that controls are in place to minimise the risk of fraud and corruption against the County Council.

### **3. Climate Change:**

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

No specific impact.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific impact.