



ESPO FINANCE AND AUDIT SUBCOMMITTEE – 23 FEBRUARY 2015

AGENDA ITEM NO.5

**INTERNAL AUDIT SERVICE - PROGRESS AGAINST THE 2014-15
INTERNAL AUDIT PLAN**

REPORT OF THE CONSORTIUM TREASURER

Purpose of the Report

1. To provide a summary of Leicestershire County Council's Internal Audit Service (LCCIAS) work to the Subcommittee and highlight any audits where high importance (HI) recommendations have been made and the position against implementing actions required.

Background

2. The Consortium Treasurer (the Treasurer) is responsible for the proper administration of ESPO's financial affairs. In accordance with ESPO's Financial Regulations Rule 15, specific responsibility for arranging a continuous internal audit is delegated to the Treasurer. Under its terms of reference the Finance and Audit Subcommittee (the Subcommittee) should receive and review audit and governance reports. The Subcommittee also monitors the adequacy and effectiveness of the internal audit service provided to ESPO. To achieve this, the Subcommittee is provided with periodic progress reports.
3. The audits undertaken are based on the annual internal audit plan. Variations to the plan can occur but need to be considered with and agreed by the Treasurer and the Director of ESPO.

Summary of Progress

4. Audits completed to final report stage between 1 November 2014 and 10 February 2015, are shown in **Appendix 1**. The 'opinion' is what level of assurance can be given that material risks are being managed.
5. There are four classifications of assurance: full; substantial; partial; and little. A report that has a high importance (HI) recommendation would not normally get a classification above partial. Exceptions would be where the controls are sound but there is a high importance efficiency recommendation.

6. An audit of the project management arrangements for the replacement for the GEMS energy system reported that at the end of November 2014 there were two high importance (HI) recommendations due to delays in migrating data and arranging user testing. These were known to, and accepted by the Project Board. Since the audit report was issued, the auditor has received verbal assurances on both progress made and updated plans for implementation. Nevertheless, the Director supports that these will need to be independently substantiated by the auditor in the very near future.
7. **Appendix 2** summarises for audits in progress as at 10 February 2015 the scope and current position, including in sequential order the planned completion (to final report) date. Whilst there remain a considerable number of audits in train at different stages of workflow, almost all are on schedule to be completed by the end of the financial year. Discussions will be held with the Director of ESPO to balance any impact on operations in the last quarter, with the need to provide assurance.
8. Members are advised that in relation to the GEMS energy system the audit rating is a partial assurance. Previously members requested that where this was the case, a detailed report should be submitted for consideration. That report, which contains exempt information, is set out elsewhere on the agenda.

Recommendation

9. That the contents of the report be noted.

Equal Opportunities Implications

10. There are no discernible equal opportunities implications resulting from the audits listed.

Background Papers

Report to ESPO Management Committee on 27 September 2012 – Finance and Audit Subcommittee – Proposed terms of reference and indicative work plan

Report to ESPO Finance and Audit Subcommittee 10 June 2014 – Annual Internal Audit Plan

Officer to Contact

Neil Jones, Head of Internal Audit Service

Tel: 0116 305 7629

Email: neil.jones@leics.gov.uk

Appendices

Appendix 1 – Summary of Internal Audit Service reports issued between 1 November 2014 and 10 February 2015

Appendix 2 – Audits in progress at 10 February 2015 and planned for the remainder of 2014-15

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