



ESPO FINANCE AND AUDIT SUBCOMMITTEE – 9 JUNE 2015

AGENDA ITEM NO.6

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2014-15

REPORT OF THE CONSORTIUM TREASURER

Purpose of Report

1. To provide the Subcommittee with an annual report on internal audit work conducted during 2014-15.

Background

2. The Consortium Treasurer (the Treasurer) is responsible for the proper administration of ESPO's financial affairs and has a specific responsibility for arranging a continuous internal audit of those affairs.
3. The Treasurer arranges for Leicestershire County Council's Internal Audit Service (LCCIAS) led by the Head of Internal Audit Service (HoIAS) to provide internal audit for ESPO. LCCIAS must conform to the United Kingdom Public Sector Internal Audit Standards (PSIAS) and the accompanying CIPFA Local Government Advisory Note (LGAN). Together, these documents constitute proper practices to satisfy the requirements set out in the Accounts and Audit Regulations 2011 to '*undertake an adequate and effective internal audit of accounting records and of the system of internal control*'.
4. The PSIAS require the HoIAS to provide an annual report to 'the Board' timed to support the annual governance statement. The Internal Audit Charter for ESPO defines the Management Committee as the Board and recognises that it should formally approve the HoIAS' annual report.
5. The annual report must include:
 - a. an annual internal audit opinion on the overall adequacy and effectiveness of ESPO's control environment
 - b. a summary of the audit work from which the opinion is derived
 - c. a comparison of the work actually undertaken with the work that was planned including a summary of the performance of the internal audit function
 - d. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP)

- e. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement
6. This annual report precedes the draft Annual Governance Statement which will be presented to the Management Committee at its meeting on 24 June 2015. The finalised Annual Governance Statement will accompany the Statement of Accounts, which will be presented to the Subcommittee at its next meeting on 8 September prior to final consideration and approval by the Management Committee at its meeting on 28 September.

Internal Audit Service Annual Report 2014-15

7. The annual report for 2014-15 is provided at Appendix 1.
8. Headlines from the report are: -
- a. Overall, positive opinions were given in all three components of the 'control environment' i.e. the framework of governance, risk management and control
 - b. The majority of audits conducted returned substantial assurance ratings
 - c. 80% of planned jobs were achieved with only a small carry over and three cancellations
 - d. Considerable effort was invested into developing and implementing corporate governance improvements
 - e. LCCIAS abides by the principles of the PSIAS but there is need for some key improvements before full 'conformance' can be claimed. This is the only matter required to be reported in the Annual Governance Statement.

Resources Implications

9. The budget for the provision of the internal audit service is contained within ESPO' Medium Term Financial Strategy under charges by the Servicing Authority.
10. 6 additional days were provided over the planned 185. The total charge to ESPO was £52,300.

Recommendation

11. That the Subcommittee notes the Internal Audit Service annual report for 2014-15

Equal Opportunities Implications

12. There are no specific equal opportunities implications contained within the annual summary of work undertaken.

Background Papers

Accounts and Audit Regulations (Amendment) 2011

The Public Sector Internal Audit Standards (2013)

Officer to Contact

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Appendices

Appendix 1 - Internal Audit Service Annual Report 2014-15

Annex 1 - The HoIAS Annual Opinion on the adequacy and effectiveness of ESPO's control environment

Annex 2 - Summary of Internal Audit Service work April 2014 to March 2015 from which the overall opinion is derived