



## **ESPO MANAGEMENT COMMITTEE – 24 JUNE 2015**

### **INTERNAL AUDIT SERVICE – ANNUAL REPORT 2014-15**

#### **REPORT OF THE CONSORTIUM TREASURER**

##### **Purpose of Report**

1. To provide the Management Committee 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, a draft of which is presented elsewhere on the agenda for this meeting and which will be presented as 'final' to the Management Committee at its meeting in September alongside the Statement of Accounts.
5. The Internal Audit Charter for ESPO defines the Finance and Audit Subcommittee as the Board. The Subcommittee considered and noted the Internal Audit Service Annual Report 2014-15 at its meeting on 9 June 2015. Nevertheless, Management Committee has a responsibility to formally approve the HoIAS' annual report.

6. 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

### **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 Committee approves 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