



**ESPO FINANCE AND AUDIT SUBCOMMITTEE – 16 NOVEMBER
2015**

**INTERNAL AUDIT SERVICE - PROGRESS AGAINST THE 2015-16
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 at least the stage of draft report issued) between 26 August and 30 October 2015, are shown in **Appendix 1**. Where audits undertaken are an 'assurance' type i.e. the auditor is able to objectively examine evidence for the purpose of providing an independent assessment, then an 'opinion' can be given i.e. the level of assurance that material risks are being managed. The sum of individual engagement opinions assists the Head of Internal Audit Service (HoIAS) to form an annual opinion on the overall adequacy of ESPO's control environment, comprised of its governance, risk management and internal control framework.

5. There are four levels of assurance: full; substantial; partial; and little. A report that has a high importance (HI) recommendation would not normally get an opinion above partial assurance. Exceptions would be where the controls are sound but there is a high importance efficiency recommendation.
6. There were no audits with HI recommendations or partial assurance opinions in this period.
7. **Appendix 2** summarises at 30 October 2015, the progress against 2015-16 audits and shows completed audits; those in progress and those not yet started. Audit reference numbers (in the sequence of the agreed internal audit plan) and type (governance, risk management and internal control) have been added to track each audit's progress. Some audits are split into phases 'a' (assessment of control design) and 'b' (compliance that controls are being applied).
8. It was found that the HI recommendations from the audit of ICT applications - Optima Energy Software (16/13a) are being managed sufficiently in order to to close them off. This will be reported to Management Committee at its meeting on 4 December 2015.
9. The current position is beginning to show some stack up of audits in the last five months of the year. Some of this is expected as that's when some audits are traditionally due. Nevertheless, there will need to be focussed liaison with the Director and his management team in order to be aware of and accommodate any changes to ESPO's priorities in order to ensure the internal audit plan is sufficiently completed.

Recommendation

10. That the contents of the report be noted.

Equal Opportunities Implications

11. 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
<http://ow.ly/Rlh1Q>

Report to ESPO Finance and Audit Subcommittee 9 June 2015 – Annual Internal Audit Plan
<http://ow.ly/RlhBs>

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Appendices

Appendix 1 – Audits completed as at 30 October 2015

Appendix 2 – Summary progress against 2015-16 audits as at 30th October 2015

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