



ESPO FINANCE AND AUDIT SUBCOMMITTEE – 22 FEBRUARY 2016

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 1 November 2015 and 5 February 2016, 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 5 February 2016, 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. A summary of the position is: -
 - a. Over the last quarter a further 7 audits have been completed to at least draft report stage.
 - b. Of the 10 audits in progress, at 5 February 2016, at least 6 audits were close to being reported in draft with the remainder due by the end of February
 - c. Of the 6 audits 'not yet started', whilst 2 are scheduled as originally planned, 3 may need to be postponed and 1 might require cancelling. Explanations are recorded in Appendix 2. Decisions regarding those 4 jobs will be made when discussing the requirements of the 2016/17 internal audit plan with the Director and Consortium Treasurer.

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
<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 (to at least draft report issued) as at 5 February 2016

Appendix 2 – Summary progress against 2015-16 audits as at 5 February 2016