



ESPO MANAGEMENT COMMITTEE – 21 JULY 2016

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2015-16

REPORT OF THE CONSORTIUM TREASURER

Purpose of Report

1. To provide the Subcommittee with an annual report on internal audit work conducted during 2015-16.

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. 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.
3. Part 2, 'Internal Control' of the revised Accounts and Audit Regulations (2015) provide at section 5 'Internal Audit' that, 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
4. The relevant standards are the United Kingdom Public Sector Internal Audit Standards (PSIAS) and the guidance is provided by the accompanying CIPFA Local Government Advisory Note (LGAN).
5. 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.
6. Whilst a draft version of the annual report was received by the Finance & Audit Subcommittee at its meeting on 6 June 2016, the Internal Audit Charter for ESPO defines the Management Committee as the Board and recognises that it should formally approve the HoIAS' annual report.

7. 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

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8. The annual report for 2015-16 is provided in the Appendix.
9. 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 (Annex 1)
 - b. The majority of audits conducted returned substantial assurance ratings (Annex 2)
 - c. Just over 90% of planned work was achieved with only a small carry over and three cancellations
 - d. LCCIAS abides by the principles of the PSIAS.

Resources Implications

10. The budget for the provision of the internal audit service is contained within ESPO' Medium Term Financial Strategy under charges by the Servicing Authority.
11. 10 additional days were provided over the planned 185. The total charge agreed by ESPO was £54,600.

Recommendation

11. That the Committee approves the Internal Audit Service annual report for 2015-16

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) 2015

http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi_20150234_en.pdf

The Public Sector Internal Audit Standards (2013)

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207064/public_sector_internal_audit_standards_december2012.pdf

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Appendices

Appendix

Internal Audit Service Annual Report 2015-16

Annex 1

The HolIAS Annual Opinion on the adequacy and effectiveness of ESPO's control environment

Annex 2

Summary of Internal Audit Service work April 2015 to May 2016 from which the overall opinion is derived

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