



ESPO FINANCE AND AUDIT SUBCOMMITTEE – 7 FEBRUARY 2017

INTERNAL AUDIT SERVICE - PROGRESS AGAINST THE 2016-17 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) to 30th January 2017 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. A summary of audits completed is: -
 - a. Finalised during the period - 3
 - b. Issued as draft - 2
8. **Appendix 2** summarises at 30 January 2017, the progress against all 2016-17 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).
9. 10 audits remained in progress at 30 January 2017 of which 5 are close to being reported in draft.
10. 3 audits are not yet started. The Electricity Framework and Energy Billing audits will be discussed with the Director as to whether they are still required.

Recommendation

11. That the contents of the report be noted.

Equal Opportunities Implications

12. 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

Report to ESPO Finance and Audit Subcommittee 6 June 2016 – Annual Internal Audit Plan

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Appendices

Appendix 1 – Audits completed (to at least draft report issued) as at 30 January 2017

Appendix 2 – Summary progress against 2016-17 audits as at 30 January 2017

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