



**ESPO FINANCE SUBCOMMITTEE – 22 August 2012**

**AGENDA ITEM NO. 9**

**INTERNAL AUDIT SERVICE – ANNUAL REPORT 2011-12**

**REPORT OF THE CONSORTIUM TREASURER**

**Purpose of Report**

1. To provide the Subcommittee with an annual report on work conducted by the Internal Audit Service.

**Background**

2. The Consortium Treasurer has delegated responsibility for arranging a continuous internal audit. Under its proposed terms of reference (included elsewhere on the agenda marked item 5, report 'B'), this Subcommittee would be required to monitor the adequacy and effectiveness of the Internal Audit Service. It is intended for one of its functions to be to consider the Head of Internal Audit Service's annual report and opinion on the "internal control environment" of ESPO. It is also intended for the Subcommittee to receive reports on progress against the Internal Audit Service Annual Plan at each of its meetings. This, and reports on the planning process, will allow it to review the effectiveness of the system of internal audit as required under the Accounts and Audit Regulations 2003 (amended 2011).

**Annual Internal Audit Service Report**

3. The report for 2011-12 is provided in Appendix 1.
4. Within the annual report there is an opinion on the "internal control environment". This is required by CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom (2006). An explanation of what the "internal control environment" covers is given in Appendix 2. Evidence from audits carried out during the year is used to reach this opinion. For 2011-12, positive assurance was given for financial control. For the wider control environment, there was recognition that the plans and direction of travel for ESPO's governance arrangements should similarly ensure future positive assurance.

### **Resources Implications**

5. The budget for the provision of the Internal Audit Service is contained within ESPO budget under charges by the Servicing Authority.

### **Recommendation**

6. That the Subcommittee notes the Internal Audit Service annual report for 2011-12.

### **Equal Opportunities Implications**

7. There are no specific equal opportunities implications contained within the annual summary of work undertaken.

### **Background Papers**

Accounts and Audit Regulations (Amendment) 2011  
The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006

### **Circulation under Sensitive Issues Procedure**

None

### **Officer to Contact**

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### **Appendices**

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| Appendix 1 | - | Internal Audit Service work during 2011-12               |
| Appendix 2 | - | The Internal Control Environment - a summary explanation |