



ESPO FINANCE AND AUDIT SUBCOMMITTEE – 20 NOVEMBER 2012

AGENDA ITEM NO. 6

**INTERNAL AUDIT SERVICE - PROGRESS AGAINST THE 2012-13
AUDIT PLAN**

REPORT OF THE TREASURER

Purpose of Report

1. To give a summary of Leicestershire County Council's Internal Audit Service (LCCIAS) work to the Subcommittee and highlight any audits where high importance recommendations have been made to Management in respect of ESPO.
2. To explain how the Head of Internal Audit Service intends to report to Members of this Subcommittee on the annual review of effectiveness of the system of internal audit.

Background

3. The Consortium Treasurer has a responsibility to ensure that decisions relating to the financial management of ESPO are based upon sound financial advice. Under its terms of reference the newly formed Finance and Audit Subcommittee should receive and review audit and governance reports. Arising from this, the Subcommittee should monitor the adequacy and effectiveness of the Leicestershire County Council Internal Audit Service in respect of its work on ESPO. To achieve this, the Subcommittee will be provided with periodic progress reports.
4. The audits undertaken are based on the annual Internal Audit Service plan. Where audits cannot be undertaken due to system delays or at the specific request of Management, alternative audit areas are considered and agreed with Management.

Summary of Progress

5. This report covers audits finalised or completed from 1 July 2012 to 31st October 2012.

The outcomes of audits completed are shown in **Appendix 1**. The 'opinion' is what level of assurance can be given that material risks are being managed. There are four classifications of assurance; full, substantial, partial and little. A report that has a high importance (HI) recommendation would not normally receive a classification above partial. Exceptions would be where the controls are sound but there is a high importance efficiency

recommendation or recommendations had clearly been acted upon before the completion of the audit.

6. A summary of the individual audit scope and outcomes is shown in **Appendix 2**
7. **Appendix 3** details high importance (HI) recommendations and provides a short summary of the issues surrounding these. The relevant manager's agreement (or otherwise) to implementing the recommendation and implementation timescales is shown. Note that entries remain on the list until the auditor has confirmed (by specific re-testing) that action has been implemented.
8. The Terms of Reference for the Finance and Audit Subcommittee provide an indicative work plan detailing that the Head of Internal Audit Service (HoIAS) should report to Members on his annual review of effectiveness of the system of internal audit. The HoIAS will report in November to the County Council's Corporate Governance Committee (CGC), and it is intended for this report to be circulated to members of the Subcommittee thereafter.

Resources Implications

9. The 2012-13 Internal Audit Plan did not include time for either servicing the requirements of the Finance and Audit Subcommittee or the ongoing role in improving governance arrangements. The resources used in these areas may impact on completion of planned audits, Discussions with the Consortium Treasurer are ongoing.

Recommendation

10. That the contents of the report be noted.

Equal Opportunities Implications

11. There are no discernable 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 Workplan.

Officer to Contact

Neil Jones, Head of Internal Audit Service
Telephone - 0116-305-7629
Email – neil.jones@leics.gov.uk

Appendices

Appendix 1 - Summary of Final Internal Audit Reports issued during the period 1
July 2012 to 31 October 2012

Appendix 2 - Summary audit scope and outcomes

Appendix 3 - High Importance Recommendations