



ESPO FINANCE AND AUDIT SUBCOMMITTEE – 18 FEBRUARY 2013

AGENDA ITEM NO 6

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

REPORT OF THE CONSORTIUM TREASURER

Purpose of the 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 (HI) recommendations have been made to Management in respect of ESPO.
2. To provide a brief update on an organisational change review of LCCIAS and the impact on the production of the ESPO internal audit plan for 2013-14.

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 Finance and Audit Subcommittee should receive and review audit and governance reports. It is intended for the Subcommittee to also monitor the adequacy and effectiveness of the LCCIAS in respect of its work on ESPO. To achieve this, the Subcommittee is provided with periodic progress reports.
4. 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 Senior Management and the Treasurer.

Summary of Progress

5. Normally the report would cover audits finalised between 1 November and 31 December 2012. However, there were a number of audits in progress at 31 January 2013, some of which were close to conclusion but would not be reported until the May 2013 Subcommittee (now June), and so on this occasion a position statement is being reported to this meeting. The positions are shown in **Appendix 1**. The 'opinion' is what level of assurance can be given that material risks are being managed.

6. There are four classifications of assurance: full; substantial; partial; and little. A report that has a high importance (HI) recommendation would not normally get a classification above partial. Exceptions would be where the controls are sound but there is a high importance efficiency recommendation.
7. A summary of each individual audit scope and outcome is shown in **Appendix 2**.
8. **Appendix 3** details 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. Recommendations that have not been reported to the Committee before or where LCCIAS has identified that some movement has occurred in a previously reported recommendation are shown in **bold font**. Entries remain on the list until the auditor has confirmed (by specific re-testing) that action has been implemented. Whilst there are not any 'new' HI's to be reported on this occasion, there has been movement on all previously reported HI's.

Internal review of LCCIAS and the impact on the production of the ESPO internal audit plan for 2013-14

9. An organisational change review of LCCIAS has recently been completed. The review has covered three strands simultaneously: technology; processes; and people and structures. The outcomes are: -
 - a. Replacement planning, case management and reporting technology enabling efficiencies to be gained from consistent application and mobile and flexible working and an improved reporting functionality for Management and Members.
 - b. Revised work flow 'processes' that align with the technology developments.
 - c. Revised staff structure and job responsibilities.
10. ESPO's external Auditor, PricewaterhouseCoopers LLP, has been briefed on the changes, impacts and timescales.
11. Work on the service review project has had some impact on overall resources available. Whilst this is a risk and continues to be rigorously monitored, overall there is expected to be sufficient resource for the Head of Internal Audit Service to provide a robust and objective overall opinion on the effectiveness of ESPO's risk management, governance and internal control arrangements for 2012-2013.

12. This process has meant a slight delay in the production of the 2013-2014 internal audit plan and specifically the risk heat map, which would normally be reported to the Subcommittee in February. It is expected that the Subcommittee will receive this information in its new format in June.

Resource Implications

13. The 2012-13 internal audit plan did not include time for either servicing the requirements of the Finance and Audit Subcommittee or assistance with improving ESPO governance arrangements. The resources used in these areas may impact on the completion of planned audits. Discussions with the Consortium Treasurer are on-going.
14. If resources are required above those days allocated to the audit of ESPO the Consortium Treasurer is responsible for ensuring that ESPO receives a continuous audit service.

Recommendation

15. That the contents of the report be noted.

Equal Opportunities Implications

16. There are no discernible equal opportunities implications resulting from the audits listed.
17. The service review Human Resources Action Plan incorporated an equality impact assessment. There were no discernible issues forthcoming.

Background Papers

Report to ESPO Management Committee on 27 September 2012 – Finance and Audit Subcommittee – Proposed terms of reference and indicative work plan

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Appendices

- Appendix 1 - Position statement of audits in progress at 31 January 2013.
- Appendix 2 - Summary individual audit scope and outcome
- Appendix 3 - High Importance Recommendations