



ESPO FINANCE AND AUDIT SUBCOMMITTEE – 3 JUNE 2013

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 and the position against implementing action.
2. To inform Members of progress against the adoption and implementation of the Public Sector Internal Audit Standards (PSIAS) from 1st April 2013.

Background

3. 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 these affairs. Part of the role of the Finance and Audit Subcommittee is to receive and review audit 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.
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 the Treasurer and the Director of ESPO.

Summary of Progress

5. Progress against the final quarter's work is 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 brief summary of each individual audit objective, major findings and conclusions 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.
9. A 'new' HI (on business continuity) is reported and, in accordance with resolution agreed by the Subcommittee on 20 November 2012 (Minute 35 (b)), the full report has been circulated to members. There continues to be movement on the other previously reported HI's with two rebates' and a further two collaborative procurement HIs being 'signed off' after ESPO management had proved implementation of the recommendations.

LCCIAS adoption and implementation of the Public Sector Internal Audit Standards (PSIAS) from 1st April 2013

10. At the 18 February 2013 meeting, in his report on the 'Annual Review of the Effectiveness of the System of Internal Audit', the HoIAS gave further brief details on the development of Public Sector Internal Audit Standards (PSIAS) which were brought into force on 1 April 2013. However, because of the PSIAS complexity and scope he was awaiting specific guidance on adoption and implementation by LCCIAS in a 'Local Government Application Note'.
11. The guidance was delayed until mid-April and so it has not been possible to fully identify, evaluate and plan for the adoption and implementation of the PSIAS. Once this guidance has been produced a further report will be brought to the Subcommittee.

Resource Implications

12. 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 new areas therefore had a slight impact on the completion of planned audits.

Recommendation

13. That the contents of the report be noted.

Equal Opportunities Implications

14. 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

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Appendices

- Appendix 1 - Summary of final internal audit reports issued 01.01.13 to 30.04.13
Appendix 2 - Summary audit objectives, findings and conclusions
Appendix 3 - Summary of Internal Audit High Importance Recommendations

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