



**ESPO FINANCE AND AUDIT SUBCOMMITTEE – 3 JUNE 2013**

**INTERNAL AUDIT SERVICE – ANNUAL REPORT 2012-13**

**REPORT OF THE CONSORTIUM TREASURER**

**Purpose of Report**

1. To provide the Subcommittee with an annual report on internal audit work conducted during 2012-13.

**Background**

2. 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 those affairs.
3. The Treasurer arranges for Leicestershire County Council's Internal Audit Service (LCCIAS) to provide internal audit for ESPO. LCCIAS must conform to internal audit professional standards. For 2012-13 these were the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code).
4. The Code requires the Head of Internal Audit Service (HoIAS) to provide a written report to those charged with governance, this is timed to support the preparation of the Annual Governance Statement. The HoIAS annual report must include an opinion on the overall adequacy and effectiveness of the organisation's control environment and present a summary of the audit work from which the opinion is derived.
5. This report precedes the Annual Governance Statement which will be presented to the Management Committee at its meeting in September alongside the Statement of Accounts. The Statement of Accounts, accompanied by the Annual Governance Statement, will be presented to the Subcommittee at its next meeting prior to final consideration by the Management Committee.

**Annual Internal Audit Service Report**

6. The annual report for 2012-13 is provided in Appendix 1.
7. The report contains the HoIAS annual opinion on the overall adequacy and effectiveness of ESPO's internal control environment i.e. its framework of governance, risk management and control. Appendix 2 explains what the "internal control environment" covers.

The HoIAS opinion combines an objective assessment, based on the results of individual audits undertaken and actions by management thereafter, and the professional judgement of the HoIAS based on his evaluation of other related activities.

8. For 2012-13, whilst recognising further improvements are required, positive opinions were given in all three areas of the framework of governance, risk management and control.

### **Resources Implications**

9. The budget for the provision of the internal audit service is contained within ESPO' Medium Term Financial Strategy under charges by the Servicing Authority.
10. The 200 planned days was exceeded by 10 due to the unplanned impact of servicing the Finance and Audit Subcommittee and additional time taken to close some audits. The total charge was £58,800.

### **Recommendation**

11. That the Subcommittee notes the Internal Audit Service annual report for 2012-13.

### **Equal Opportunities Implications**

12. 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 2012-13               |
| Appendix 2 | - | The Internal Control Environment - a summary explanation |