

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

**INTERNAL AUDIT SERVICE - PROGRESS AGAINST THE 2013-14
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 summarise the Head of Internal Audit Service's (HoIAS) investigation following a whistle-blowing occurrence.

Background

3. The Consortium Treasurer (the Treasurer) is responsible for the proper administration of ESPO's financial affairs. A specific responsibility for arranging a continuous internal audit is delegated to the Treasurer. Under its terms of reference the Finance and Audit Subcommittee should 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 first 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 Subcommittee previously, 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. There were no new HI recommendations. Following the recent audit of supplier verification, a further HI relating to rebates has now been closed. The remaining three HI recommendations in respect of rebates will be picked up in a follow up audit of the rebates processes later in the year.

Head of Internal Audit Service (HoIAS) investigation following a whistle-blowing occurrence

10. An ex-member of ESPO staff whistle-blew that an unauthorised scheme had been initiated to recompense a particular group of staff for losses they considered they had incurred whilst using their cars on ESPO business.
11. The HoIAS had concluded his investigation into the specific allegations and found them to be mostly proven. However, there was no question of fraud and the basis of the calculation for payment was rational. There was sufficient evidence to support claims made and (minor value discrepancies aside) amounts paid were accurate.
12. The HoIAS has reported to the Consortium Treasurer and Secretary for them to decide any action required.

Resource Implications

13. The HoIAS work to conclude the whistle-blowing investigation was unplanned and may impact on total time charged to ESPO, but that is unable to be confirmed until later in the year.

Recommendation

14. That the contents of the report be noted.

Equal Opportunities Implications

15. 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 01.04 - 31.07.2013
Appendix 2 - Summary audit objectives, findings and conclusions
Appendix 3 - Summary of Internal Audit High Importance Recommendations

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