<div align="right"><b><u>Appendix 2</u></b></div>

<div align="center"><b><u>Summary audit objectives, findings and conclusions</u></b></div>

<div align="center"><b><u>Audits concluded or in progress at 31<sup>st</sup> July 2013</u></b></div>

**<u>Audits where only the objective had previously been reported (June 2013 Subcommittee), which are now concluded</u>**

**<u>Rebates (supplier verification)</u>**

Objective is to give assurance that for a sample of suppliers, the levels of turnover indicated by the suppliers and consequently the level of rebate paid to ESPO by the supplier were accurate.

**Findings & conclusion**

Whilst the majority of authorities/customers that were contacted were able to confirm the accuracy of the turnover values given by suppliers, which rebates had been based on, several queries were raised from responses received back. The Heads of Category teams will be asked to consider and advise on the merits of following up the queries raised in respect of individual suppliers, as they will know their suppliers, markets, and the significance of any discrepancy in terms of the revenue stream for their category. A substantial assurance rating was given.

**<u>Key ICT Controls</u>**

This annual audit assists the External Auditors (PWC) to form an opinion on the risk of material misstatement in ESPO's financial accounts. The scope of the audit is driven by the external auditors requirements and covers for ICT purposes organisation and governance; risk management; security; change process; network security; logical access and user administration; privileges; systems development and data migration.

**Findings & conclusion**

Whilst there were a number of recommendations to strengthen internal control, none were considered to be high important and they were all accepted by management. A substantial assurance rating was given.

**Audits in progress at the end of July 2013**

**Performance Management**

The objective is to ensure that there is a framework to ensure compliance with the Constitution requirements including benchmarking.

**Medium Term Financial Strategy**

The objective is to ensure that there are robust processes for validating assumptions, monitoring achievements and reporting progress against efficiency projects

**Business Forecasting**

The objective is to ensure that there is a robust framework for forecasting and acting on triggers

**Risk Management**

The objective is to ensure that the revised policy and framework is operating as intended. Lines of defence are understood and complied with.

**Annual Governance Statement**

The objective is to ensure that there are adequate arrangements to demonstrate compliance to the principles of good governance outlined in the CIPFA/SOLACE Framework.

**Servicing Authority**

The objective is to ensure that the servicing authority is achieving its requirements and objectives

**E-Tendering**

To ensure that the security requirements and audit trail are robust

**Energy**

To confirm that the requests of customers regarding meter points have been accurately transferred under the new gas portfolio. Also, a follow up of the energy governance arrangements.