



**ESPO MANAGEMENT COMMITTEE – 26 JUNE 2014**

**INTERNAL AUDIT SERVICE – ANNUAL REPORT 2013-14**

**REPORT OF THE CONSORTIUM TREASURER**

**Purpose of Report**

1. To provide the committee with an annual report on internal audit work conducted during 2013-14.

**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. From April 2013 these are the Public Sector Internal Audit Standards (the PSIAS).
4. The PSIAS require the Head of Internal Audit Service (HoIAS) to provide an annual report to 'the Board' timed to support the preparation of the Annual Governance Statement, a draft of which is presented elsewhere on the agenda for this meeting and which will be presented as 'final' to the Management Committee at its meeting in September alongside the Statement of Accounts.
5. The PSIAS allow for a number of groups to satisfy the role of the Board but the standards define the Board as, 'The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation', and as such it is considered appropriate that the Management Committee approves the annual HoIAS report.

**Annual Internal Audit Service Report**

6. The annual report for 2013-14, containing summary performance data, is provided in Appendix 1.
7. The HoIAS report must include an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control

environment) and a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies). The full HoIAS opinion and the PSIAS definition of the control environment are included at appendix 2.

8. For 2013-14, whilst recognising further improvements are achievable, positive opinions were given in all three areas of the framework of governance, risk management and control.

### **Consideration by the Finance and Audit Subcommittee**

9. The Finance and Audit Subcommittee considered and noted the Internal Audit Service Annual Report 2013/14 on 10 June 2014.
10. During discussion on progress made against the Internal Audit Annual Plan 2013-14, the Subcommittee noted there was continuing improvement with ESPO's governance, risk management and internal controls. Members queried whether there would come a time when internal audit resource was reduced to reflect the improvements made.
11. The HoIAS, Director of ESPO and Consortium Treasurer confirmed they were comfortable that the level of internal audit resource was sufficient to be able to provide a rounded overall opinion on the adequacy and effectiveness of ESPO's control environment. Whilst there was evidence of more stability, the nature and scale of ESPO's business (reflected in its corporate risk register and the recent agreement by Management Committee of a new Business Strategy covering 2014-18) required adequate internal audit resource. Nevertheless, a small reduction of 15 days is planned for 2014-15.
12. It should be noted that this version of the Annual Report differs to that presented to the Finance and Audit Subcommittee in that, as required by PSIAS, overall performance against the 2013/14 Internal Audit Annual Plan is also provided on the final page; that information having been provided to the Subcommittee elsewhere on the agenda for the 10 June meeting (pages 16 and 17 of those meeting papers refers).

### **Resources Implications**

13. The budget for the provision of the internal audit service is contained within ESPO' Medium Term Financial Strategy under charges by the Servicing Authority.
14. Only 175 of the planned 200 days were provided. Explanations are given on the last page of Appendix 1 to this report. The effect was to reduce the charge to ESPO to £49,000.

### **Recommendation**

11. That the Management Committee notes the Internal Audit Service annual report for 2013-14.

**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 Public Sector Internal Audit Standards (2013)

**Officer to Contact**

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**Appendices**

- Appendix 1 - Internal Audit Service Annual Report 2013-14
- Appendix 2 - The HoIAS' Annual Opinion on the adequacy and effectiveness of the control environment, and the PSIAS definition of the 'control environment'.

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