

Minutes of a meeting of the ESPO Finance and Audit Subcommittee held at County Hall, Glenfield, Leicestershire on Tuesday 9th September 2014.

PRESENT

Cllr J. Clarke (chair)	Warwickshire County Council
Dr R. K. A. Feltham CC	Leicestershire County Council
Cllr S. Rawlins	Lincolnshire County Council
Cllr J. Reynolds	Cambridgeshire County Council

1. MINUTES

The minutes of the meeting held on 10th June 2014 were taken as read, confirmed and signed.

2. DECLARATION OF INTERESTS

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.
No declarations were made.

3. URGENT ITEMS

There were no urgent items for consideration.

4. DRAFT STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2013/14.

The Subcommittee received a joint report of the Consortium Secretary and Consortium Treasurer setting out the Accounts and Annual Governance Statement 2013/14. A copy of the report, marked 'item 4', is filed with these minutes.

The following principal points were noted: -

- i) ESPO had experienced continued growth during 2013/14 in stores turnover and in the use of framework contracts. The Subcommittee was pleased that this allowed ESPO to continue investing in low prices and provide excellent service and procurement expertise;
- ii) Leicestershire County Council had adopted the principles of the Public Sector Internal Audit Standards (PSIAS) 2013 and as its internal auditor, also applied them to ESPO. The PSIAS required the Head of Internal Audit Service to have developed and had approved for

Leicestershire County Council as servicing authority, and consequently also for ESPO, the following:

- An Internal Audit Charter which scoped internal audit relationships and governance; and
- a Quality Assurance and Improvement Programme;

Whilst the Internal Audit Service held historic documentation and undertook practices that aligned to the required documentation, it was noted that it did not yet have a formal internal audit charter or Quality Assurance and Improvement Programme (QAIP);

- iii) The PSIAS state that an internal audit activity can only report that it 'Conforms with the International Standards for the Professional Practice of Internal Auditing' if the results of the QAIP support this statement. Given that a formal QAIP does not yet exist, the HoIAS is currently reporting 'non-conformance with the PSIAS'. Minor amendments would be required to the Annual Governance Statement 2013/14 to reflect this position in respect of report pages 65 (weakness/area for improvement), 71 (note of non-conformance) and 77 (additional key improvement area and deadline of December 2014) accordingly prior to reporting it to the Management Committee;
- iv) The Head of Internal Audit Service confirmed that a formal Charter and QAIP would be ready for approval by the Servicing Authority's Corporate Governance Committee in November 2014, with a view to it being provided to the February 2015 meeting of the Subcommittee for its consideration and submission to the Management Committee in March 2015, for approval.

RESOLVED:

- a) That the draft Statement of Accounts 2013/14 and Annual Governance Statement 2013/14, inclusive of the minor amendments as now reported, be recommended to the Management Committee on 25 September 2014, for its approval;
- b) That it be noted that the Head of Internal Audit Service will provide a draft Internal Audit Charter and Quality Assurance Improvement Programme for consideration at the subcommittee meeting to be held in February 2015.

5. MANAGEMENT ACCOUNTS TO JULY 2014

The subcommittee received a joint report of the Consortium Secretary and Consortium Treasurer setting out the Management Accounts to July 2014. A copy of the report, marked 'item 5', is filed with these minutes.

Arising from discussion, the following principal points were noted: -

- i) Current stock levels as at the end of August 2014 were in between the levels of stock registered for the same period in 2012 and 2013 which was pleasing as this was a period of high demand from schools following the end of their summer holidays;
- ii) Whilst stock sales had fallen over the first quarter of the year, this was forecast to be ahead of budget by the end of August following strong levels of school transactions and them being fully invoiced following delivery, during September;
- iii) Following a query regarding the current policy for achieving a return of interest on its cash balances. the Consortium Secretary confirmed that ESPO followed Leicestershire County Council's Treasury Management Policy which placed particular emphasis of the risk of placing money with banking counterparties and selected such counterparties accordingly;
- iv) Although noting that the Servicing Authority's management of ESPO's cash balances slightly outperformed the national average for rate of return of interest, members considered it would be a worthwhile exercise for the Chief Officer Group to review whether the level of risk appetite for both cash balance interest and debt repayment was at the optimum level for ESPO and report back to the subcommittee accordingly.

RESOLVED:

- a) That the Management Accounts to July 2014 be noted;
- b) That the Chief Officer Group be requested to give consideration to ESPO's current approach to Treasury Management and provide a report back to the Subcommittee at its next meeting.

6. CHANGE TO THE ORDER OF BUSINESS

The Chairman, with the consent of the Subcommittee, confirmed a change to the order of business to that set out on the agenda.

7. EXCLUSION OF THE PUBLIC

RESOLVED:

That under Section 100(A)(iv) of the Local Government Act 1972 the public be excluded from the meeting on the grounds that it will involve the likely disclosure of exempt information during consideration of the following item of business entitled:

'Supplementary Information Informing the Management Accounts to July 2014' as defined in paragraphs 3 and 10 of Schedule 12A of the Act; and, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.'

8. SUPPLEMENTARY INFORMATION INFORMING THE MANAGEMENT ACCOUNTS TO JULY 2014.

The Subcommittee received an exempt report of the Director and Consortium Treasurer setting out further information informing the Management Accounts to July 2014 which was of a commercially sensitive nature. A copy of the exempt report, marked 'item 9', is filed with these minutes.

RESOLVED:

That the report be noted.

(THE MEETING THEN RECONVENED INTO PUBLIC SESSION.)

9. INTERNAL AUDIT SERVICE – PROGRESS AGAINST THE 2014/15 INTERNAL AUDIT PLAN

The subcommittee received a report from the Consortium Treasurer setting out the Progress Against the 2014/15 Internal Audit Plan. A copy of the report, marked 'item 6', is filed with these minutes.

Arising from discussion, the following principal points were noted: -

- i) There were no new high importance recommendations to report this quarter;
- ii) ESPO had recently volunteered to be a part of the National Fraud Initiative, a sophisticated data matching exercise designed to prevent and detect fraud;
- iii) It was clarified that the proposed completion date of audits was usually within two months. However some audits stretched over longer timespans, for example the audits of elements of the key financial systems because of having to meet the 'full year' requirements of the external auditor.
- iv) All close down work for the previous audit year had been completed. Out of four audits classed as 'in train' for the current year, it was reported that the GEMS replacement, supply chain, and business strategy audits were making progress. A high number of the audits planned for 2014/15 were due to begin in Q3 but some can not begin to start until Q4.

RESOLVED:

That progress against the 2014/2015 Internal Audit Plan be noted.

10. DATE OF NEXT MEETING

It was noted that the next meeting of the subcommittee would be held on the 17th November at 10:30am.

11.15 am – 12.00 pm
9 September 2014

CHAIRMAN