



**ESPO MANAGEMENT COMMITTEE – 23 JUNE 2021**

**INTERNAL AUDIT SERVICE – ANNUAL REPORT 2020-21**

**REPORT OF THE CONSORTIUM TREASURER**

**Purpose of Report**

1. To provide the Management Committee (the Committee) with an annual report on internal audit work conducted during 2020-21.

**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. The Treasurer arranges for Leicestershire County Council's Internal Audit Service (LCCIAS) led by the Head of Internal Audit Service (HoIAS) to provide internal audit for ESPO.
3. Part 2, 'Internal Control' of the Accounts and Audit Regulations (2015) provide at section 5 'Internal Audit' that, 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
4. The relevant standards are the United Kingdom Public Sector Internal Audit Standards (PSIAS) which were last updated in April 2017. Guidance on applying the standards is provided in an accompanying CIPFA Local Government Application Note which was last updated in 2019.
5. The PSIAS require that the purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter. The Internal Audit Charter for ESPO (re-approved by Management Committee 28 February 2017) defines the Finance & Audit Subcommittee (the Subcommittee) as 'the Board'. The PSIAS require the HoIAS to provide an annual report to 'the Board' timed to support the production of the draft Annual Governance Statement (AGS) supporting the financial statements, which will be reported to a future Management Committee.
6. However, whilst the Subcommittee received and noted the annual

report at its meeting on 26 May 2021, it does not have any decision making authority, and so the HoIAS' annual report has to be approved by Management Committee.

7. The PSIAS require the HoIAS' annual report to include:
  - a. an annual internal audit opinion on the overall adequacy and effectiveness of ESPO's control environment
  - b. a summary of the audit work from which the opinion is derived
  - c. a comparison of the work actually undertaken with the work that was planned, including a summary of the performance of the internal audit function
  - d. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP). **Note:** The HoIAS undertook self-assessments after the date of the Subcommittee, the results of both have been included in this report.
  - e. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement

### **Internal Audit Service Annual Report 2020-21**

8. The annual report for 2020-21 is provided in the **Appendix**. The report includes the HoIAS opinion.

**Aside from the partial assurance rating given following the audit of credit control, no other significant governance, risk management or internal control failings have come to the HoIAS' attention therefore substantial assurance is given that ESPO's control environment overall has remained adequate and effective**

The opinion will also be contained in the draft AGS.

9. **Annex 1** provides detail on how the annual internal audit opinion was formed, defines types of audits, the components of the control environment and what it is designed to achieve and provides a caveat on any opinion reached.
10. **Annex 2** lists the audits undertaken during the year. For assurance audits the individual audit opinion is given.
11. **Annex 3** is the result of the light touch self-assessment conducted by the HoIAS of the Service's general conformance to the PSIAS. Supporting notes are reported in bold font
12. **Annex 4** is the result of the HoIAS light touch review of the Quality Assurance and Improvement Programme (QAIP). The Action Plan on the last page (bold font) shows two further improvements are required, but three small improvements have been moved forward.
13. Headlines from the report are: -

- a. Whilst one audit returned a partial assurance rating, management has accepted the recommendation and is already working to implement them.
- b. Overall, positive opinions were given in all three components of the 'control environment' i.e. the framework of governance, risk management and control (Annex 1)
- c. An overall substantial assurance rating is given that the control environment remains adequate and effective.
- d. The majority of planned work was achieved
- e. More days were provided than planned, despite disruptions caused by the Government imposed lockdowns
- f. The HoIAS considers ESPO's responses to continuing to operate its finance and IT systems during lockdowns were well planned.
- g. The Service generally conforms to PSIAS
- h. The QAIP has been updated with some actions moved forward.

### **Resources Implications**

14. The budget for the provision of the internal audit service is contained within ESPO' Medium Term Financial Strategy under charges by the Servicing Authority.
15. 155 days were provided (150 planned) and the total charge to ESPO was £52,350.

### **Recommendations**

16. That the Management Committee approves the Internal Audit Service annual report for 2020-21.

### **Equal Opportunities Implications**

17. There are no specific equal opportunities implications contained within the annual summary of work undertaken.

### **Background Papers**

Constitution of the ESPO Management Committee  
 Accounts and Audit Regulations (Amendment) 2015  
 The Public Sector Internal Audit Standards (revised from April 2017)  
 Annual Internal Audit Plan 2020-21  
 Report to Finance & Audit Subcommittee 26 May 2021

### **Officer to Contact**

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**Appendices**

Appendix	Internal Audit Service Annual Report 2020-21
Annex 1	The HoIAS Annual Opinion on the overall adequacy and effectiveness of ESPO's control environment
Annex 2	Summary of Internal Audit Service work between 1 April 2020 and 14 May 2021 from which the overall opinion is derived
Annex 3	Summary self-assessment of conformance to the PSIAS – May 2021
Annex 4	Quality Assurance & Improvement Programme (QAIP) – May 2021