



ESPO MANAGEMENT COMMITTEE – 29 JUNE 2022

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2021-22

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 2021-22.

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 either the draft Annual Governance Statement or a different governance related report supporting the financial statements.
6. The Subcommittee received and noted the annual report at its meeting on 11 May 2022. However, the Subcommittee 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)
 - e. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement

Internal Audit Service Annual Report 2021-22

8. The annual report for 2021-22 is provided in the Appendix. The report includes the HoIAS opinion.

Aside from the partial assurance rating given following the audit of cyber security arrangements, 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 self-assessment conducted by the HoIAS of the Service's general conformance to the PSIAS.
12. **Annex 4** is the result of the HoIAS review of the Quality Assurance and Improvement Programme (QAIP). The Action Plan on the last page (bold font) shows further improvements are required.
13. Headlines from the report are: -
 - a. Whilst one audit returned a partial assurance rating, management has accepted the recommendations 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)

Annex 4 LCCIAS - Quality Assurance Improvement Programme (June 2022)