EASTERN SHIRES PURCHASING ORGANISATION

A LOCAL AUTHORITY PURCHASING AND DISTRIBUTION CONSORTIUM

CONSORTIUM SECRETARY: FIONA MCMILLAN,
DIRECTOR OF LAW AND GOVERNANCE,
LEICESTERSHIRE COUNTY COUNCIL

Date: 17 February 2026
My Ref AS/ESPO
Please ask for: Angie Smith
Direct Dialling (0116) 305 2583
e-mail: angie.smith@leics.gov.uk

To: Members of the ESPO Finance and Audit Subcommittee

Dear Member,

ESPO FINANCE AND AUDIT SUBCOMMITTEE

A meeting of the Finance and Audit Subcommittee will be held at on Wednesday, 25 February 2026 at 10.30 am **on Microsoft Teams.**

Yours faithfully,

Angie Smith
for Consortium Secretary

AGENDA

Item		Report of	Pages
1.	Minutes of the previous meeting.		(Pages 3 - 10)
2.	Notes of an Inquorate Meeting on 11 February 2026.		(Pages 11 - 18)
3.	Declarations of interest.		
4.	Urgent Items.		
5.	Global Internal Audit Standards in the UK Public Sector - Governance Documents.	Consortium Treasurer	(Pages 19 - 56)
6.	Annual Internal Audit Plan 2026-27.	Consortium Treasurer	(Pages 57 - 62)

7.	Internal Audit Service - Progress Against the 2025-26 Internal Audit Plan.	Consortium Treasurer	(Pages 63 - 74)

8. Date of next meeting.

   The next meeting of the Subcommittee is scheduled to take place on 7 October 2026 at 11.00am.

9. Any other items which the Chairman has decided to take as urgent.

10. Exclusion of the Press and Public.

    The public are likely to be excluded during consideration of the remaining items in accordance with Section 100(A)(4) of the Local Government Act 1972 (Exempt Information).

11.	Financial Performance Update - 9 months to December 2025.	Chief Officer of ESPO and Consortium Treasurer	(Pages 75 - 84)
12.	Budget 2026/27.	Chief Officer of ESPO and Consortium Treasurer	(Pages 85 - 102)
13.	Risk Review.	Chief Officer of ESPO and Consortium Treasurer	(Pages 103 - 122)

Agenda Item 1

Notes of an inquorate meeting of the ESPO Finance and Audit Subcommittee held at County Hall, Glenfield on Wednesday, 11 February 2026.

PRESENT

Cllr. R. Wyatt (in the Chair) – Cambridgeshire County Council
Cllr. T. Bridgwood – Lincolnshire County Council

Apologies

Mr. H. Fowler – Leicestershire County Council
Cllr. J James – Norfolk County Council
Fiona McMillan – Consortium Secretary

In attendance

ESPO
Kristian Smith – Chief Officer
Gary Tapp – Commercial Financial Controller
Anthony Khayat – Head of Strategic Finance

Leicestershire County Council
Matt Davis – Audit Manager
Simon Hines – Consortium Treasurer (online)
Neil Jones – Head of Internal Audit and Assurance
Patrick Taaffe – Assistant Head of Law (Litigation and Commercial and Traded Services)
Angie Smith – Democratic Services Officer

13. Inquorate Meeting.

The Chairman advised the Members present that the ESPO Constitution provides that for a quorum there should be at least three Members who were entitled to attend and vote, provided that at that least three of the Member Authorities were represented. As the meeting was inquorate until such a time as Members were present, it would be necessary for the Consortium Secretary to write to all constituent authorities to see their agreement to “decisions” reached in relation to any items considered whilst the meeting was inquorate:

[Item 4 – Global Internal Audit Standards in the UK Public Sector – Governance Documents]
[Item 5 – Annual Internal Audit Plan 2026-27]
[Item 6 – Internal Audit Service – Progress Against the 2025-26 Internal Audit Plan]
[Item 7 – Date of next meeting]
[Item 10 – Financial Performance Update – 9 months to December 2025]
[Item 11 – Budget 2026/27]
[Item 12 – Risk Review]

[It was subsequently confirmed that an additional meeting would take place via Teams to enable all constituent authorities to consider the matters set out above.]

14. Minutes of the previous meeting.

The minutes of the meeting held on 8 October 2025 were noted.

15. Declarations of interest.

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.

16. Urgent Items.

There were no urgent items for consideration.

17. Global Internal Audit Standards in the UK Public Sector - Governance Documents.

Members present considered a report of the Consortium Treasurer which provided details on important governance documents required for conformance with Global Internal Audit Standards effective in the UK public sector from 1 April 2025. A copy of the report marked 'Agenda Item 4' is filed with these notes.

i. It was explained that Leicestershire County Council (LCC), as the servicing authority, provided ESPO's internal audit function and that the report outlined work undertaken under the revised global standards implemented in April 2025, with adaptations for UK public sector and local government requirements. Three governance documents were required for conformance, and equivalents would be produced by the Heads of Internal Audit at each of the consortium members, though the ones discussed were specific to ESPO.

ii. The first document presented was the Internal Audit Charter, found at Appendix 1 of the report. Although not a new requirement, the updated standards required some changes. A template from the Chartered Institute of Internal Auditors had been used to help produce it. Changes were summarised, including the requirement for a mandate, though this mandate already existed under the Accounts and Audit Regulations 2015, and references had been updated to include the new Code of Practice discussed later in the meeting.

iii. The second document was the Code of Practice for the Governance of Internal Audit in Local Government. It reflected the new global standards but included specific expectations for local government, noting differences such as the absence of a board and reliance on elected members. The Code set out the authority of the internal audit function, its independence, and clarified the role of the Finance and Audit Subcommittee in providing oversight.

iv. A self-assessment for ESPO had been produced and placed in Appendix 2, concluding generally good compliance with some required improvements graded from important to minor. Officers had tentatively agreed to these, and further discussions were expected with ESPO's Director and Leadership Team. It was explained that timelines were tight, as the actions needed to be completed to support the annual

report scheduled for October 2026. Conformance with the code would also need to be reported in the Annual Governance Statement and the annual internal audit report.

v. The third document was an Internal Audit Strategy, a new requirement under the updated standards. Much of its content was internal to the Audit Team. A two-year timeframe had been adopted due to uncertainties over the coming years, with the strategy placed in Appendix 3. Officers concluded by noting that some actions remained in progress and sought delegated authority to make changes, bringing back only those that were significant.

vi. Discussion moved to the draft audit strategy, particularly the priority around improving the use of AI. Current use across the team was inconsistent, with only a few auditors using it frequently. External guidance, internal KPIs, and a previous external quality assessment had shaped the list of priorities. The team aimed to embed AI appropriately while ensuring appropriate controls. ESPO relied on LCC's AI governance policies and mandatory training. Only base-level AI tools (such as Copilot) were being used, and staff had been reminded to check outputs to guard against errors, and more controls might be required as AI use expanded to ensure corporate policy compliance.

vii. Members requested for assurance that, if AI was to become an ongoing strategic aim, a report should be produced explaining the chosen targets and how AI use would be monitored. Concerns were also expressed about AI not always being sufficiently detail oriented for audit work. Officers noted that the strategy had been designed with the County Council in mind, as it was more advanced in its application of AI, and ESPO was therefore working to align itself with that progress. Furthermore, AI governance arrangements had already been audited at the County Council with good assurance. As AI became embedded in operational systems, auditors would ensure appropriate human oversight before decisions were accepted

RESOLVED:

Members noted the contents of the report and the recommendations set out therein, as follows:

a) Noted the work undertaken to develop the three GIAS UK (Public Sector) governance documents.
b) Agreed a delegation to the Consortium Treasurer to make any necessary minor changes to each document.
c) A report on the use of AI explaining chosen targets and how AI use would be monitored to be brought to a future meeting of the Sub-Committee.

18. <u>Annual Internal Audit Plan 2026-27.</u>

Members present considered a report of the Consortium Treasurer which sought approval of the ESPO Internal Audit Plan 2026-27. A copy of the report marked 'Agenda Item 5' is filed with these notes.

i. In presenting the report the detailed approach to preparing the annual Internal Audit Plan was explained to Members, who were also reminded that the Sub-Committee was constitutionally required to receive and approve the Plan each year, and that although new internal auditing standards had updated terminology, changing "annual

opinion" to "annual conclusion", the underlying requirement for an overall assessment of governance, risk management, and control remained unchanged.

ii. The consultation process undertaken in developing the Plan was outlined, which had included engagement with ESPO's Director and Leadership Team, the Consortium Treasurer and Secretary, Internal Audit staff, and consideration of national developments and emerging risks. Reference was also made to external audit work, assurance mapping, the organisation's risk register, and the rolling five-year strategic audit plan. National horizon-scanning had highlighted cyber security, digital disruption, and geopolitical uncertainty as key risks influencing the final Plan.

iii. Members were informed that the proposed Plan offered balanced coverage across governance, risk management, and internal control, and included thematic reviews such as cyber security, AI, local government reorganisation, rebates, and counter-fraud work. An element of contingency had been built in, acknowledging that emerging risks could necessitate adjustments during the year.

iv. In response to questions, officers confirmed that audits were scheduled to minimise disruption, with interim findings shared with ESPO officers to avoid any surprises. Any revisions to the Plan during the year would be referred back to the Sub-Committee with justification.

v. A member queried whether an audit of employee wellbeing could be added, noting an increase in stress-related absence and expressing a desire to understand staff experience more comprehensively. Officers confirmed that a staff survey had recently been completed and would be reported to the Management Committee, and that work was commencing with Public Health on a wellbeing "index" using triangulated data. Both officers and auditors agreed that, once these outputs were available, an internal audit review could be undertaken to provide an independent assessment.

vi. A further question was raised regarding assurance over ESPO's data management procedures and the organisation's capability to use data effectively to support business growth. Officers explained that many relevant controls were already reviewed under the "Key ICT Controls" audit. The Internal Audit Manager offered to provide further detail outside the meeting and noted that recent internal work had been completed on business growth, benchmarking, and value for money assessments, which could complement any additional review that members might request.-

vii. Officers confirmed that the internal audit service retained sufficient capacity to respond to issues as they emerged, including whistleblowing concerns, and that the current Plan provided comprehensive coverage.

RESOLVED:

Members present noted the contents of the report and the recommendations set out therein, as follows:

a) That the ESPO Internal Audit Plan 2026-27 be approved.

Members requested that recommendations should be added to include the additional request for:

b) An audit of employee wellbeing, to be scoped following the results of the staff survey and wellbeing indices work.
c) That information on ESPO's data management procedures and the organisation's capability to use data effectively to support business growth be circulated to Members of the Sub-Committee.

19. Internal Audit Service - Progress Against the 2025-26 Internal Audit Plan.

Members present considered a report of the Consortium Treasurer which provided a summary of work undertaken by Leicestershire County Council's Internal Audit Service (LCCIAS) during the period 23 September 2025 to 26 January 2026. A copy of the report marked 'Agenda Item 6' is filed with these notes.

i. Members were informed that, although the report was described as routine, it was noted that at this point in the year low throughput could have made it otherwise. Officers were therefore pleased to report positive progress.

ii. It was highlighted that the 2025–26 plan incorporated any outstanding work from the previous year. The plan had originally been approved on 12 February 2025. The Sub-Committee was reminded that work continued to transition toward the new Global Internal Audit Standards applicable to the public sector.

iii. The assurance levels used in reporting (full, substantial, partial, and little assurance) were briefly referenced. It was explained that any audit receiving partial or little assurance would normally include high importance recommendations, which would be followed up and monitored by the committee. However, it was reported that no high-importance recommendations had been identified to date, nor were any carried forward. Officers noted this as a positive achievement and commended the organisation for maintaining strong controls

iv. Members were informed that all prior year work had been closed. For 2025–26, seven final reports had been issued, all with substantial assurance; five advisory pieces had been completed without assurance ratings; five audits were still in progress; and one planned piece of work had been cancelled as no longer relevant. An error in the papers was acknowledged, whereby the term "framework agreements" had been duplicated; the correct entry should have been "loss or reduction in business."

v. Of the five ongoing audits, one had reached final stage, one draft had been issued to the relevant officer, and one had been reviewed and was progressing as expected. Two remaining audits, IT general controls and reconciliations and balances, were expected to run close to year-end due to sampling requirements.

vi. Regarding the cancelled audit on framework agreements, it was explained that this had been initially proposed due to an external audit finding. However, further review and challenge showed that the finding was inaccurate; appropriate controls existed through exchange of letters and confirmations of awards. Therefore, the internal audit work was deemed unnecessary. Officers noted that if future external auditors raised the issue again, the job would be reinstated.

vii. It was confirmed that there were no high importance recommendations, and Members expressed satisfaction with this outcome.

viii. Before concluding, officers reported that internal audit reports should be shared with the Consortium Members' own Heads of Internal Audit to support the sector-wide approach to relying on other assurance providers. Reports would therefore be shared once formally approved.

RESOLVED:

Members present noted the contents of the report, and the recommendation set out therein, as follows:

a) Noted the progress update received for the 2025-26 Plan.
b) Noted that there are no high importance recommendations within the Sub-Committee's domain.

20. Date of next meeting.

RESOLVED:

It was noted that the next meeting of the Sub-Committee would be held on 7 October 2026, at 10.30am.

21. Exclusion of the Press and Public.

RESOLVED:

That under Section 100(A) of the Local Government Act 1972 the public be excluded from the meeting for the remaining items of business on the grounds that it would involve the likely disclosure of exempt information as defined in paragraphs 3 and 10 of Schedule 12A of the Act, and, in all circumstances, the public interest of maintaining exemption outweighs the public interest in disclosing the information.

22. Financial Performance Update - 9 months to December 2025.

Members present considered a joint report of the Chief Officer of ESPO and the Consortium Treasurer, which provided an update on the financial performance of ESPO for the nine months to December 2025. A copy of the report marked 'Agenda Item 10' is filed with these notes.

The exempt report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information).

Arising from discussion, Members discussed and asked questions on the following:

- Expected surplus totals and the financial forecast.
- Product margins and review of product ranges.
- Reduction in variable costs, staffing efficiencies, and reduction in overhead costs.
- International sales and shipping locations.

RESOLVED:

Members present noted the update provided on the financial performance of ESPO for the nine months to December 2025.

23. Budget 2026/27.

Members present considered a joint report of the Chief Officer of ESPO and the Consortium Treasurer, which provided an update on the financial performance of ESPO for the nine months to December 2025. A copy of the report marked 'Agenda Item 10' is filed with these notes.

The exempt report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information).

Arising from discussion, Members discussed and asked questions on the following:

- Recognising the fall in pupil numbers nationally and the challenges to the business.
- Reductions on competition and increasing market share.
- Growth areas and targeting based on data.
- Growth in digital supplies.
- Own brand product margins.
- Quality control of products and online product reviews.
- How Members' dividend was calculated.
- Warehouse capacity and current stock.

RESOLVED:

Members present noted the budget 2026/27 for submission to the Management Committee for approval.

24. Risk Review.

Members present considered a joint report of the Chief Officer of ESPO and the Consortium Treasurer, which provided an overview of ESPO's risk landscape. A copy of the report marked 'Agenda Item 12' is filed with these notes.

The exempt report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information).

Arising from discussion, Members discussed and asked questions on the following:

- There were no changes to the risk profile.
- Global supply change had settled and the risk had been reduced accordingly.

RESOLVED:

Members present noted the overview of ESPO's risk landscape.

10.30am to 12.03pm CHAIRMAN
11 February 2026

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Agenda Item 2

Notes of an inquorate meeting of the ESPO Finance and Audit Subcommittee held at County Hall, Glenfield on Wednesday, 11 February 2026.

PRESENT

Cllr. R. Wyatt (in the Chair) – Cambridgeshire County Council
Cllr. T. Bridgwood – Lincolnshire County Council

Apologies

Mr. H. Fowler – Leicestershire County Council
Cllr. J James – Norfolk County Council
Fiona McMillan – Consortium Secretary

In attendance

ESPO
Kristian Smith – Chief Officer
Gary Tapp – Commercial Financial Controller
Anthony Khayat – Head of Strategic Finance

Leicestershire County Council
Matt Davis – Audit Manager
Simon Hines – Consortium Treasurer (online)
Neil Jones – Head of Internal Audit and Assurance
Patrick Taaffe – Assistant Head of Law (Litigation and Commercial and Traded Services)
Angie Smith – Democratic Services Officer

13. Inquorate Meeting.

The Chairman advised the Members present that the ESPO Constitution provides that for a quorum there should be at least three Members who were entitled to attend and vote, provided that at that least three of the Member Authorities were represented. As the meeting was inquorate until such a time as Members were present, it would be necessary for the Consortium Secretary to write to all constituent authorities to see their agreement to “decisions” reached in relation to any items considered whilst the meeting was inquorate:

[Item 4 – Global Internal Audit Standards in the UK Public Sector – Governance Documents]
[Item 5 – Annual Internal Audit Plan 2026-27]
[Item 6 – Internal Audit Service – Progress Against the 2025-26 Internal Audit Plan]
[Item 7 – Date of next meeting]
[Item 10 – Financial Performance Update – 9 months to December 2025]
[Item 11 – Budget 2026/27]
[Item 12 – Risk Review]

[It was subsequently confirmed that an additional meeting would take place via Teams to enable all constituent authorities to consider the matters set out above.]

14. Minutes of the previous meeting.

The minutes of the meeting held on 8 October 2025 were noted.

15. Declarations of interest.

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.

16. Urgent Items.

There were no urgent items for consideration.

17. Global Internal Audit Standards in the UK Public Sector - Governance Documents.

Members present considered a report of the Consortium Treasurer which provided details on important governance documents required for conformance with Global Internal Audit Standards effective in the UK public sector from 1 April 2025. A copy of the report marked 'Agenda Item 4' is filed with these notes.

i. It was explained that Leicestershire County Council (LCC), as the servicing authority, provided ESPO's internal audit function and that the report outlined work undertaken under the revised global standards implemented in April 2025, with adaptations for UK public sector and local government requirements. Three governance documents were required for conformance, and equivalents would be produced by the Heads of Internal Audit at each of the consortium members, though the ones discussed were specific to ESPO.

ii. The first document presented was the Internal Audit Charter, found at Appendix 1 of the report. Although not a new requirement, the updated standards required some changes. A template from the Chartered Institute of Internal Auditors had been used to help produce it. Changes were summarised, including the requirement for a mandate, though this mandate already existed under the Accounts and Audit Regulations 2015, and references had been updated to include the new Code of Practice discussed later in the meeting.

iii. The second document was the Code of Practice for the Governance of Internal Audit in Local Government. It reflected the new global standards but included specific expectations for local government, noting differences such as the absence of a board and reliance on elected members. The Code set out the authority of the internal audit function, its independence, and clarified the role of the Finance and Audit Subcommittee in providing oversight.

iv. A self-assessment for ESPO had been produced and placed in Appendix 2, concluding generally good compliance with some required improvements graded from important to minor. Officers had tentatively agreed to these, and further discussions were expected with ESPO's Director and Leadership Team. It was explained that timelines were tight, as the actions needed to be completed to support the annual

report scheduled for October 2026. Conformance with the code would also need to be reported in the Annual Governance Statement and the annual internal audit report.

v. The third document was an Internal Audit Strategy, a new requirement under the updated standards. Much of its content was internal to the Audit Team. A two-year timeframe had been adopted due to uncertainties over the coming years, with the strategy placed in Appendix 3. Officers concluded by noting that some actions remained in progress and sought delegated authority to make changes, bringing back only those that were significant.

vi. Discussion moved to the draft audit strategy, particularly the priority around improving the use of AI. Current use across the team was inconsistent, with only a few auditors using it frequently. External guidance, internal KPIs, and a previous external quality assessment had shaped the list of priorities. The team aimed to embed AI appropriately while ensuring appropriate controls. ESPO relied on LCC's AI governance policies and mandatory training. Only base-level AI tools (such as Copilot) were being used, and staff had been reminded to check outputs to guard against errors, and more controls might be required as AI use expanded to ensure corporate policy compliance.

vii. Members requested for assurance that, if AI was to become an ongoing strategic aim, a report should be produced explaining the chosen targets and how AI use would be monitored. Concerns were also expressed about AI not always being sufficiently detail oriented for audit work. Officers noted that the strategy had been designed with the County Council in mind, as it was more advanced in its application of AI, and ESPO was therefore working to align itself with that progress. Furthermore, AI governance arrangements had already been audited at the County Council with good assurance. As AI became embedded in operational systems, auditors would ensure appropriate human oversight before decisions were accepted

RESOLVED:

Members noted the contents of the report and the recommendations set out therein, as follows:

a) Noted the work undertaken to develop the three GIAS UK (Public Sector) governance documents.
b) Agreed a delegation to the Consortium Treasurer to make any necessary minor changes to each document.
c) A report on the use of AI explaining chosen targets and how AI use would be monitored to be brought to a future meeting of the Sub-Committee.

18. <u>Annual Internal Audit Plan 2026-27.</u>

Members present considered a report of the Consortium Treasurer which sought approval of the ESPO Internal Audit Plan 2026-27. A copy of the report marked 'Agenda Item 5' is filed with these notes.

i. In presenting the report the detailed approach to preparing the annual Internal Audit Plan was explained to Members, who were also reminded that the Sub-Committee was constitutionally required to receive and approve the Plan each year, and that although new internal auditing standards had updated terminology, changing "annual

opinion" to "annual conclusion", the underlying requirement for an overall assessment of governance, risk management, and control remained unchanged.

ii. The consultation process undertaken in developing the Plan was outlined, which had included engagement with ESPO's Director and Leadership Team, the Consortium Treasurer and Secretary, Internal Audit staff, and consideration of national developments and emerging risks. Reference was also made to external audit work, assurance mapping, the organisation's risk register, and the rolling five-year strategic audit plan. National horizon-scanning had highlighted cyber security, digital disruption, and geopolitical uncertainty as key risks influencing the final Plan.

iii. Members were informed that the proposed Plan offered balanced coverage across governance, risk management, and internal control, and included thematic reviews such as cyber security, AI, local government reorganisation, rebates, and counter-fraud work. An element of contingency had been built in, acknowledging that emerging risks could necessitate adjustments during the year.

iv. In response to questions, officers confirmed that audits were scheduled to minimise disruption, with interim findings shared with ESPO officers to avoid any surprises. Any revisions to the Plan during the year would be referred back to the Sub-Committee with justification.

v. A member queried whether an audit of employee wellbeing could be added, noting an increase in stress-related absence and expressing a desire to understand staff experience more comprehensively. Officers confirmed that a staff survey had recently been completed and would be reported to the Management Committee, and that work was commencing with Public Health on a wellbeing "index" using triangulated data. Both officers and auditors agreed that, once these outputs were available, an internal audit review could be undertaken to provide an independent assessment.

vi. A further question was raised regarding assurance over ESPO's data management procedures and the organisation's capability to use data effectively to support business growth. Officers explained that many relevant controls were already reviewed under the "Key ICT Controls" audit. The Internal Audit Manager offered to provide further detail outside the meeting and noted that recent internal work had been completed on business growth, benchmarking, and value for money assessments, which could complement any additional review that members might request.-

vii. Officers confirmed that the internal audit service retained sufficient capacity to respond to issues as they emerged, including whistleblowing concerns, and that the current Plan provided comprehensive coverage.

RESOLVED:

Members present noted the contents of the report and the recommendations set out therein, as follows:

a) That the ESPO Internal Audit Plan 2026-27 be approved.

Members requested that recommendations should be added to include the additional request for:

b) An audit of employee wellbeing, to be scoped following the results of the staff survey and wellbeing indices work.
c) That information on ESPO's data management procedures and the organisation's capability to use data effectively to support business growth be circulated to Members of the Sub-Committee.

19. Internal Audit Service - Progress Against the 2025-26 Internal Audit Plan.

Members present considered a report of the Consortium Treasurer which provided a summary of work undertaken by Leicestershire County Council's Internal Audit Service (LCCIAS) during the period 23 September 2025 to 26 January 2026. A copy of the report marked 'Agenda Item 6' is filed with these notes.

i. Members were informed that, although the report was described as routine, it was noted that at this point in the year low throughput could have made it otherwise. Officers were therefore pleased to report positive progress.

ii. It was highlighted that the 2025–26 plan incorporated any outstanding work from the previous year. The plan had originally been approved on 12 February 2025. The Sub-Committee was reminded that work continued to transition toward the new Global Internal Audit Standards applicable to the public sector.

iii. The assurance levels used in reporting (full, substantial, partial, and little assurance) were briefly referenced. It was explained that any audit receiving partial or little assurance would normally include high importance recommendations, which would be followed up and monitored by the committee. However, it was reported that no high-importance recommendations had been identified to date, nor were any carried forward. Officers noted this as a positive achievement and commended the organisation for maintaining strong controls

iv. Members were informed that all prior year work had been closed. For 2025–26, seven final reports had been issued, all with substantial assurance; five advisory pieces had been completed without assurance ratings; five audits were still in progress; and one planned piece of work had been cancelled as no longer relevant. An error in the papers was acknowledged, whereby the term "framework agreements" had been duplicated; the correct entry should have been "loss or reduction in business."

v. Of the five ongoing audits, one had reached final stage, one draft had been issued to the relevant officer, and one had been reviewed and was progressing as expected. Two remaining audits, IT general controls and reconciliations and balances, were expected to run close to year-end due to sampling requirements.

vi. Regarding the cancelled audit on framework agreements, it was explained that this had been initially proposed due to an external audit finding. However, further review and challenge showed that the finding was inaccurate; appropriate controls existed through exchange of letters and confirmations of awards. Therefore, the internal audit work was deemed unnecessary. Officers noted that if future external auditors raised the issue again, the job would be reinstated.

vii. It was confirmed that there were no high importance recommendations, and Members expressed satisfaction with this outcome.

viii. Before concluding, officers reported that internal audit reports should be shared with the Consortium Members' own Heads of Internal Audit to support the sector-wide approach to relying on other assurance providers. Reports would therefore be shared once formally approved.

RESOLVED:

Members present noted the contents of the report, and the recommendation set out therein, as follows:

a) Noted the progress update received for the 2025-26 Plan.
b) Noted that there are no high importance recommendations within the Sub-Committee's domain.

20. Date of next meeting.

RESOLVED:

It was noted that the next meeting of the Sub-Committee would be held on 7 October 2026, at 10.30am.

21. Exclusion of the Press and Public.

RESOLVED:

That under Section 100(A) of the Local Government Act 1972 the public be excluded from the meeting for the remaining items of business on the grounds that it would involve the likely disclosure of exempt information as defined in paragraphs 3 and 10 of Schedule 12A of the Act, and, in all circumstances, the public interest of maintaining exemption outweighs the public interest in disclosing the information.

22. Financial Performance Update - 9 months to December 2025.

Members present considered a joint report of the Chief Officer of ESPO and the Consortium Treasurer, which provided an update on the financial performance of ESPO for the nine months to December 2025. A copy of the report marked 'Agenda Item 10' is filed with these notes.

The exempt report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information).

Arising from discussion, Members discussed and asked questions on the following:

- Expected surplus totals and the financial forecast.
- Product margins and review of product ranges.
- Reduction in variable costs, staffing efficiencies, and reduction in overhead costs.
- International sales and shipping locations.

RESOLVED:

Members present noted the update provided on the financial performance of ESPO for the nine months to December 2025.

23. Budget 2026/27.

Members present considered a joint report of the Chief Officer of ESPO and the Consortium Treasurer, which provided an update on the financial performance of ESPO for the nine months to December 2025. A copy of the report marked 'Agenda Item 10' is filed with these notes.

The exempt report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information).

Arising from discussion, Members discussed and asked questions on the following:

- Recognising the fall in pupil numbers nationally and the challenges to the business.
- Reductions on competition and increasing market share.
- Growth areas and targeting based on data.
- Growth in digital supplies.
- Own brand product margins.
- Quality control of products and online product reviews.
- How Members' dividend was calculated.
- Warehouse capacity and current stock.

RESOLVED:

Members present noted the budget 2026/27 for submission to the Management Committee for approval.

24. Risk Review.

Members present considered a joint report of the Chief Officer of ESPO and the Consortium Treasurer, which provided an overview of ESPO's risk landscape. A copy of the report marked 'Agenda Item 12' is filed with these notes.

The exempt report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information).

Arising from discussion, Members discussed and asked questions on the following:

- There were no changes to the risk profile.
- Global supply change had settled and the risk had been reduced accordingly.

RESOLVED:

Members present noted the overview of ESPO's risk landscape.

10.30am to 12.03pm CHAIRMAN
11 February 2026

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Agenda Item 5

ESPO FINANCE AND AUDIT SUBCOMMITTEE – 25 FEBRUARY 2026

GLOBAL INTERNAL AUDIT STANDARDS IN THE UK PUBLIC SECTOR – GOVERNANCE DOCUMENTS

REPORT OF THE CONSORTIUM TREASURER

Purpose of the Report

1. The purpose of this report is to provide the Finance and Audit Subcommittee (the Subcommittee) with details about important governance documents required for conformance with Global Internal Audit Standards effective in the UK public sector from 1 April 2025.

Background

2. At its meeting on 30 October 2024, the Subcommittee was advised that from 1 April 2025, new Internal Audit Standards would replace the former Public Sector Internal Audit Standards. The new standards combine the Global Internal Audit Standards (GIAS) with CIPFA's 'Application Note', which essentially brings together the GIAS and specific requirements for the UK public sector. Together, they form the 'GIAS UK (public sector)'.

3. The GIAS UK (public sector) requires the development and maintenance of three important governance documents: -

    a. An Internal Audit Charter (the Charter). This is an established component of internal audit standards but with some additional requirements.

    b. A new requirement to self-assess compliance to CIPFA's Code of Practice for the Governance of Internal Audit in Local Government (the Code).

    c. A new local government requirement for an Internal Audit Strategy (the Strategy).

Revised Draft Internal Audit Charter for ESPO – February 2026

4. The revised draft Internal Audit Charter (the Charter) sets out the purpose and mandate for ESPO's Internal Audit Service by reference to the GIAS in the UK Public Sector and the Accounts and Audit Regulations 2015. The Charter also covers the Subcommittee's oversight function, roles and responsibilities and the scope and types of services to be provided by Leicestershire County Council's Internal Audit Service. The Charter is required to be formally agreed and approved by this Subcommittee and periodically reviewed.

5. The Charter is based on a recommended template provided by the Chartered Institute of Internal Auditors (CIIA) to ensure that the wording of the new standards is appropriately included. Because the structure and headings of the Charter are new, it would be complex to set out the changes to the previous version (February 2024) for comparison, however, the key points of change are as follows: -

    a. There is a new section referred to as the Mandate which is a requirement of the new standards (Standard 6.1). This refers to the authority for the Internal Audit function which is derived from legislation and the Accounts and Audit Regulations 2015;

    b. The previous section on Audit Independence is now broader, covering Independence, Organisational Position and Reporting Relationships; and

    c. The section on the Subcommittee's Oversight is now more detailed, although there are no significant changes in content.

6. The Charter also takes account of the requirements set out in the CIPFA's Code of Practice on the Governance of Internal Audit in the UK local government (the Code) published in February 2025. Further information on the Code is reported below.

7. The revised draft Internal Audit Charter is attached as **Appendix 1**.

CIPFA's Code of Practice for the Governance of Internal Audit in Local Government

8. When the GIAS were published, they contained 'essential conditions' for the governance of internal audit. These conditions are needed to allow effective internal audit practice and for internal auditors to conform with standards. However, in the UK public sector, governance structures or other laws or regulations may impact on how the essential conditions can be applied. This is the case in UK local government, where there isn't a straightforward replacement for the 'board' as described in GIAS. Elected representatives are ultimately those charged with governance and audit committees are non-

executive advisory bodies with limited decision-making powers. Internal audit's primary mandate comes from statutory regulations rather than the decision of the audit committee.

9. CIPFA has created a Code of Practice for Internal Audit Governance in Local Government (the Code). It meets the objectives of the essential conditions by providing governance suited to UK local government bodies, outlining roles and responsibilities of the audit committee, senior management, and those charged with governance. Much of it reflects existing CIPFA good practice, with older guidance to be phased out once the Code is established.

10. The Code contains three main provisions (split across nine sub-provisions): -

    a. Providing authority for internal audit – covering its mandate, charter and support for internal audit
    b. Positioning internal audit independently – covering organisational independence and qualifications of the Head of Internal Audit
    c. Oversight of internal audit – covering Audit Committee interaction, resources, quality and external quality assessment (EQA)

11. Because governance arrangements for internal audit may differ at each organisation, a specific self-assessment of compliance to the Code at each organisation is required. The HoIAS has conducted a provisional self-assessment of compliance to the Code relevant to the current governance arrangements at ESPO, which is attached at **Appendix 2**. It contains: -
    a. The Code's requirements
    b. The HoIAS assessment of the function's current position at ESPO
    c. A RAG rating of improvements (R = important, A = minor, G = none)
    d. What action is required
    e. Who will be responsible for implementing the action
    f. Where will the evidence of the change be found

12. The self-assessment is a lengthy document and there is some repetition/overlap within the Code's requirements resulting in some actions being repeated. Overall, the HoIAS has concluded that his self-assessment confirms good compliance, but some improvements are required as follows: -

    <u>Important</u>

    a. Audit Committee Guidance and Training - review with Senior Management the scope of guidance and training required for the Subcommittee in time for the October meeting.

Minor

b. Assurance framework - Consider with Senior Management whether given the organisation's size ESPO would benefit from developing and maintaining an assurance framework/map.

c. Collaborative and arm's length arrangements – Develop protocols for joint work with other organisations and ensure contracts with third-party providers include clauses granting internal audit access

d. Finance & Audit Subcommittee – arrangements for private meetings and feeding into the HoIAS performance evaluation

e. Resourcing – consider filling vacancies on short term/fixed contracts pending the outcome of LGR

f. Quality – conduct self-assessment against GIAS UK (public sector) using a soon to be released CIPFA tool (to include cross check against 2024 external quality assessment minor improvements).

13. Going forward, compliance to the Code will have to be reported in: -

a. The Annual Governance Statement (AGS)

b. The HoIAS' annual internal quality self-assessment which will be reported as part of the HoIAS' Annual Report to the Subcommittee for the 2025-26 financial year at its meeting in October

c. Future External Quality Assessments (EQA) of LCCIAS which are conducted once every five years.

14. CIPFA is developing a Code compliance tool, but its launch was too late for this Subcommittee meeting. The HoIAS will evaluate whether the tool will add anything to the disclosures of compliance in the AGS and his Annual Report which will be reported in October 2026.

Internal Audit Strategy

15. An Internal Audit Strategy (the Strategy) is a plan of action designed to achieve a long-term or overall objective. The Strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. It helps guide the internal audit function toward the fulfilment of the internal audit mandate. The HoIAS must review the Strategy with senior management and the Subcommittee periodically.

16. Having a Strategy is both a GIAS UK (public sector) new requirement and a business necessity; without it, the function risks losing direction and misalignment with organisational needs. To develop the Strategy the HoIAS has referred to relevant elements of the Institute of Internal Auditors (IIA's) Strategy Guidance and Toolkit and consulted with the Statutory Officers and the Corporate Management Team at Leicestershire County Council (ESPO's Servicing Authority).

17. The HoIAS has developed a draft Strategy specifically for the working arrangements for the Internal Audit Service covering from January 2026 to the end of March 2028. It was approved by the County Council's Corporate Governance Committee on 23 January 2026. Minor amendments have been made to reflect ESPO's governance arrangements, and the draft Internal Audit Strategy for ESPO is contained in **Appendix 3**. It's deliberately short(er) term because of the unknown outcomes of the pending Local Government Reorganisation (LGR). It will be reviewed and amended at the time of refreshing annual plans, any significant changes to the function and once the outcome of LGR is known.

Conclusion

18. Work continues on the three GIAS UK (public sector) governance documents (the Charter, Code and Strategy) and the Subcommittee is asked to agree a delegation to the Consortium Treasurer to make any necessary minor changes to each document.

Recommendations

19. That the Subcommittee notes the work undertaken to develop the three GIAS UK (public sector) governance documents

20. The Subcommittee agrees a delegation to the Consortium Treasurer to make any necessary minor changes to each document.

Equal Opportunities Implications

21. There are no discernible equal opportunities implications resulting from the audits listed.

Background Papers

Report to ESPO Finance & Audit Subcommittee 30 October 2024 – Progress Against the 2024-25 Internal Audit Plan and Internal Audit Updates

https://democracy.leics.gov.uk/documents/s186052/Internal%20Audit%20Service%20-%20Progress%20against%20the%202024-25%20Internal%20Audit%20Plan.pdf

Appendices:

Draft Application Note

https://democracy.leics.gov.uk/documents/s186054/Appendix%202%20-%20Application%20Note%20-%20Global%20Internal%20Audit%20Standards%20in%20the%20UK%20public%20sector.pdf

Code of Practice for the Governance of Internal Audit in Local Government

https://democracy.leics.gov.uk/documents/s186055/Appendix%203%20-%20Code%20of%20Practice%20for%20the%20Governance%20of%20Internal%20Audit%20in%20UK%20Local%20government.pdf

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Appendices

Appendix 1	Draft Internal Audit Charter for ESPO – February 2026
Appendix 2	Provisional self-assessment against CIPFA Code of Practice for the Governance of Internal Audit in Local Government for ESPO
Appendix 3	Draft IA Strategy for ESPO (January 2026 to March 2028)

Appendix 1

DRAFT

ESPO

Internal Audit Charter

February 2026

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Appendix 1

Introduction

ESPO is a local authority purchasing consortium made up of six local authorities for which Leicestershire County Council is the Servicing Authority. ESPO's Finance & Audit Subcommittee (the Subcommittee) has a delegated function to, 'receive and approve Internal Audit reports including the Internal Audit Charter escalating any significant governance concerns to the Management Committee for review'.

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) to provide internal audit for ESPO.

The Institute of Internal Auditors' Global Internal Audit Standards (the GIAS) guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. The GIAS were implemented in the UK public sector from 1 April 2025. A CIPFA Application Note (introduced at the same time) provides a framework for the practice of internal audit in the UK public sector when taken together with the GIAS.

The GIAS mandate that the Chief Audit Executive (for Leicestershire County Council this is the Head of Internal Audit Service (HoIAS)) must develop and maintain an internal audit charter that specifies, as a minimum, the internal audit function's 'Purpose of Internal Auditing'.

This charter defines for the internal audit activity of ESPO, its purpose, authority and responsibilities consistent with the requirements of the GIAS in the UK Public Sector. It also aims to confirm relationships with key stakeholders and is subject to annual approval by the Subcommittee

The Internal Audit Service has limited resources. Its workforce is deployed having regard to relative risks and levels of assurance required, translated into an agreed annual Internal Audit Plan of assignments. This is agreed by the Subcommittee each year.

Purpose

LCCIAS has adopted the GIAS definition: - *The purpose of the internal audit function is to strengthen ESPO's ability to create, protect, and sustain value by providing the Subcommittee and Senior Management with independent, risk-based, and objective assurance, advice, insight, and foresight.*

The internal audit function enhances ESPO's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.

- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

ESPO's internal audit function is most effective when it is performed by competent professionals in conformance with the GIAS, the Application Note and the Code of Practice for the Governance of Internal Audit in UK Local Government (all effective from 1 April 2025.

The internal audit function is independently positioned with direct accountability to the Subcommittee. Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the GIAS

LCCIAS will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework through conformance with the GIAS in the UK Public Sector and any Topical Requirements. The HoIAS will report annually to the Subcommittee and Senior Management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Internal Audit Mandate

Authority

The authority for the internal audit function is derived both from legislation and ESPO's constitution.

The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs".

The Accounts and Audit (England) Regulations 2015, specifically require that a relevant body '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' (the GIAS in the UK Public Sector). These requirements are mandatory; instances of non-conformance must be reported to the Subcommittee as part of the HoIAS' annual report.

ESPO's Financial Regulations (Rule 15(a)) determines that 'responsibility for arranging a continuous internal audit of ESPO's financial management arrangements

will be delegated by members of the Management Committee to the Consortium Treasurer which is the County Council's Director of Corporate Resources.

The internal audit function's authority is enhanced by its direct reporting relationship and access to Senior Management which from hereon are the Director of ESPO, (the Director) but also, given the role of the Servicing Authority, to both the Consortium Secretary (the Secretary) and Consortium Treasurer (the Treasurer), and the Subcommittee. The HoIAS has the right of access to the Chair of the Subcommittee at any time and can meet with the Subcommittee in private.

The GIAS in the UK Public Sector require that the internal audit function has an unrestricted scope and access to all areas of the organisation and information. Financial Regulations Rule 15(b) states that the Consortium Treasurer or an authorised representative (interpreted to be any LCCIAS staff) has authority to: -

- enter any ESPO building or land at all reasonable times.
- have access to all records, documents and correspondence relating to any transactions of ESPO.
- receive such explanations as he or she considers necessary on any matter under examination.
- require any employee of ESPO to produce cash, stores or any other ESPO property under his/her her control.

Whilst not explicit, Rule 15(b) is a conduit to seeking agreement to access partner organisations' records.

Internal auditors are accountable for confidentiality and safeguarding of records and information.

The HoIAS has authority to: -

- allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- obtain assistance from the necessary personnel of ESPO and other specialised services from within or outside ESPO to complete internal audit services.

Independence, Organisational Position, and Reporting Relationships

Independence can be defined as, *'The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity requires the head of the activity to have direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence*

must be managed at the individual auditor, engagement, functional and organisational levels'.

The HoIAS reports to the Treasurer and to the Subcommittee (reports are agreed with the Director beforehand). The HoIAS has direct access to ESPO's organisational management team, the Secretary and, if required, to the Chair of the Subcommittee. This arrangement meets the expectation of the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government, which expects that "the direct reporting line of the HoIAS is not lower than a member of the senior management team".

These arrangements provide the organisational authority to bring matters directly to senior management and escalate matters to the Subcommittee, when necessary, without interference and supports the HoIAS ability to maintain objectivity.

The HoIAS will confirm to the Subcommittee, at least annually, the organisational independence of LCCIAS. If the governance structure does not support organisational independence, the HoIAS will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The HoIAS will disclose to the Subcommittee any interference LCCIAS encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on LCCIAS' effectiveness and ability to fulfil its mandate.

Potential impairments to independence, including relevant disclosures as applicable.

The role of internal audit in fraud and corruption

The Director and his Organisational Management Team is responsible for developing and maintaining a control environment that mitigates the risk of fraud and corruption.

The HoIAS is responsible for developing and maintaining advice and guidance on ESPO's approach to managing the risks of fraud, bribery and corruption. This includes:

- Ensuring that strategies, policies and procedures are kept up to date and align with relevant codes of conduct.
- Ensuring adherence to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.
- Developing training and guidance on fraud awareness.
- Compiling a fraud risk assessment that is the basis for planning anti-fraud audits.
- Coordination of ESPO's involvement in national anti-fraud projects.
- Informing the Subcommittee of initiatives, progress and outcomes.

LCCIAS does not have specific responsibility for the detection or prevention of fraud and corruption, but it considers those risks when undertaking its activities. The independence of the internal audit activity leaves it well placed to undertake (or

guide) any investigations that are required. The HoIAS will determine the level and scope of LCCIAS' involvement including delegating the investigation of specific allegations to the service itself following an assessment of risk and financial impact.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the HoIAS, Senior Management and the Subcommittee, on the Internal Audit mandate or other aspects of the Internal Audit Charter. Such circumstances may include but are not limited to:

- A significant change in the GIAS.
- A significant reorganisation within the organisation.
- Significant changes in the HoIAS, the Subcommittee, and/or Senior Management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Subcommittee Oversight

The CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government requires that all local government audit committees should follow the CIPFA established recommended practice for audit committees in local government and police, the Position Statement: audit committees in local authorities and police 2022 and its supporting guidance publication, Audit committees: practical guidance for local authorities and police (2022).

ESPO's Subcommittee performs the role of the audit committee for the purposes of the GIAS in the UK Public Sector. The Subcommittee is a key component of ESPO's governance framework. Its role is to operate as 'those charged with governance' and provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

To establish, maintain, and ensure that ESPO's internal audit function has sufficient authority to fulfil its duties, the Subcommittee should, as a minimum:

- approve the internal audit charter. This includes participating in discussions with the HoIAS and Senior Management about the "essential conditions," described in the GIAS, which establish the foundation that enables an effective internal audit function

Appendix 1

- consider and approve the risk based internal audit strategy and plans. This includes making appropriate inquiries of senior management and the HoIAS to determine whether scope or resource limitations are inappropriate.

- monitor progress against internal audit work plans through the receipt of periodic progress reports. This includes considering major Internal Audit Service findings and monitoring the response to, and the implementation of High Importance recommendations.

- consider the HoIAS' annual report including: -
    - the overall conclusion on the adequacy and effectiveness of ESPO's control environment (its frameworks of governance, risk management and control)
    - whether any limitations on scope should be reported in the AGS
    - outcomes against key performance indicators
    - the level of conformance to the GIAS in the UK Public Sector. This includes ensuring that a quality assurance and improvement program has been established and the results are reviewed annually.

Notwithstanding the above, audit reports will be made available to members of the Subcommittee (either individually or collectively) upon request.

The Subcommittee should ensure the HoIAS has unrestricted access to and communicates and interacts directly with the Subcommittee, including in private meetings without senior management present. It should support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence from the HoIAS. The Subcommittee should include concerns about internal audit's independence if it chooses to escalate significant governance concerns to Management Committee for review.

In addition, the Subcommittee should: -

- Receive training to ensure it is conforming to the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government and following established recommended practice for audit committees in local government

- Contribute to, support, and receive the results of the GIAS requirement at least once every 5 years for an external quality assessment of the internal audit function (last completed in March 2024).

- Receive the Annual Governance Statement (AGS) prior to approval to consider whether ESPO has complied with the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government.

In addition, the performance evaluation of the HoIAS will include feedback from the Chair of the Subcommittee and Senior Management.

HoIAS Roles and Responsibilities

Ethics and Professionalism

The HoIAS will ensure that internal auditors:

- Conform with the GIAS in the UK Public Sector, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

Objectivity can be defined as, *'An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional and organisational levels'.*

The HoIAS will ensure that the Internal Audit function remains free from all conditions that threaten the ability of Internal Auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the HoIAS determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Whilst LCCIAS staff are not responsible for the detailed development or implementation of new systems, they may provide advice during the system development process on the control measures to be incorporated in any new or amended systems. To maintain independence in these situations, the Auditor who was involved in the 'advisory style exercise' will not take any further part in the audit process. Any significant 'advisory' activity not already included in the annual Audit Plan which may impact on the ability to provide the required assurance opinion will

be reported to the Subcommittee for approval. The nature and scope of this type of work include facilitation, process and/or control design, training, advisory services and risk assessment support.

Furthermore, Internal Auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for ESPO or its affiliates.
- Initiating or approving transactions external to the Internal Audit function.
- Directing the activities of any ESPO employee that is not employed by the Internal Audit function, except to the extent that such employees have been appropriately assigned to Internal Audit teams or to assist Internal Auditors.

Internal auditors will: -

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually to the HoIAS.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

To facilitate the above, as a Condition of Service, all employees are expected to maintain conduct of the highest standard such that public confidence in their integrity is maintained. This includes declarations of interest, as appropriate (organisational level).

Furthermore, all directly employed staff are required to make an annual declaration to ensure that Auditors objectivity is not impaired and that any potential conflicts of interest are appropriately managed in line with the requirements of Domain II – Ethics & Professionalism within the GIAS in the UK Public Sector and the Nolan Committee's Standards on the Seven Principles of Public Life (individual auditor level). In addition, all staff complete an audit declaration as part of each review which requires any conflicts of interest or impairments to be disclosed (individual engagement level).

All Internal Audit agency staff are also required to declare any potential conflicts of interest at the start of any assignment to the HoIAS.

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Managing the Internal Audit Function

The HoIAS must be a suitably professionally qualified individual who has the appropriate skills, knowledge, experience and resources to effectively perform in the role in accordance with the GIAS in the UK Public Sector. They should also ensure that they take part in continuing professional development activities to remain up to date with developments within Internal Audit.

The HoIAS must establish an environment of trust, confidence and integrity in the work of the Internal Audit Section within ESPO.

The HoIAS has the responsibility to:

- At least annually, submit a risk-based internal audit plan to Senior Management for review and endorsement and then to the Subcommittee for consideration and approval.
- Communicate the impact of resource limitations on the Internal Audit Plan to Senior Management and the Subcommittee.
- Review and adjust the Internal Audit Plan, as necessary, in response to changes in ESPO's business, risks, operations, programs, systems, and controls.
- Communicate with Senior Management and the Subcommittee if there are significant interim changes to the Internal Audit Plan.
- Ensure Internal Audit engagements are performed, documented, and communicated in accordance with the GIAS in the UK Public Sector.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and periodically communicate the results of Internal Audit services to Senior Management and the Subcommittee.
- Ensure the Internal Audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the GIAS in the UK Public Sector and fulfil the Internal Audit mandate.
- Identify and consider trends and emerging issues that could impact ESPO and communicate to Senior Management and the Subcommittee as appropriate.
- Consider emerging trends and successful practices in Internal Auditing.
- Establish and ensure adherence to methodologies designed to guide the Internal Audit function.
- Ensure adherence to ESPO's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the GIAS in the Uk Public Sector. Any such conflicts will be resolved or documented and communicated to Senior Management and the Subcommittee.
- Maintain awareness of the work of other internal and external providers of assurance and advisory services and consider relying upon these where appropriate. If the HoIAS cannot achieve an appropriate level of coordination, the

issue must be communicated to Senior Management and if necessary escalated to the Subcommittee

In addition, the HoIAS should be consulted on all proposed major projects, programmes and policy initiatives, as appropriate.

The HoIAS should be consulted on proposed changes to the following key policy documents for example: -

- Whistleblowing Policy
- Officers' Code of Conduct
- Counter Fraud policies
- Risk Management Policy

Where partnership/ joint venture/ outsourced and shared service arrangements exist that require joint working with other organisations and their respective auditors, the HoIAS will produce a protocol outlining the respective roles and responsibilities of each partner, access to working papers, confidentiality and sharing of audit reports including reporting to the Subcommittee (where appropriate).

In instances, where services are provided by third parties, the HoIAS must ensure that suitable clauses are included within contract documentation to ensure that internal audit retains the right of access to documents/ personnel and systems as and when required.

Quality Assurance and Improvement Program

The HoIAS will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the GIAS in the UK Public Sector, as well as performance measurements to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the HoIAS will communicate with Senior Management and the Subcommittee about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside ESPO; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Communication with Senior Management and the Subcommittee

The HoIAS will:

Assist with arranging the content of Subcommittee agenda papers, including agreeing future agenda items and potential areas for training.

Contribute to any review of the Subcommittee's effectiveness, advising the Chair of any suggested improvement.

Be responsible for the overall development of the Internal Audit Strategy and annual Internal Audit Plan, which demonstrates value for money to the organisation.

The HoIAS will report at least annually to Senior Management and the Subcommittee regarding:

- The Internal Audit Service Mandate and Charter – where there are significant changes to the governance of the authority, its risks or the internal audit function,
- The Internal Audit Plan and performance relative to its plan.
- Significant revisions to the Internal Audit Plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the Internal Audit function's conformance with the GIAS in the UK Public Sector and action plans to address the Internal Audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Subcommittee that could interfere with the achievement of ESPO's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the Internal Audit function determines may be unacceptable or acceptance of a risk that is beyond ESPO's risk appetite.

Role of the Consortium Treasurer

The Consortium Treasurer (the Treasurer) has overall delegated responsibility from the Management Committee for the Internal Audit function.

On behalf of the Treasurer, the Assistant Director (Finance, Transformation & Commissioning) will ensure that they are periodically briefed by the HoIAS on the following:

- Overall progress against the annual Internal Audit Plan;
- Those audit areas where a lower assurance opinion has been given;

- Progress on the implementation of all “high importance” audit recommendations; and
- Progress on all fraud and irregularity investigations carried out by the Internal Audit Section.

Following on from the above, the HoIAS will routinely provide update reports to Senior Management and the Subcommittee, including an annual outturn report.

Role of Senior Management

For the purposes of the GIAS in the UK Public sector, individually the Director and the Consortium Treasurer and Secretary perform the role of the ‘Senior Management’.

Relevant reports referred to above will receive prior consideration by Senior Management. This includes any fraud and corruption related exercises.

The HoIAS will present the annual Internal Audit Strategy and Plan to Senior Management for their consideration and endorsement. The annual outturn report, together with the annual overall conclusion on the adequacy and effectiveness of ESPO’s control environment (its framework of governance, risk management and control) will also be circulated to Senior Management.

Senior Management is also responsible for ensuring that staff within their areas participate fully in the audit planning process and actively enforce the implementation of agreed audit recommendations by the required date. The quality of these relationships impacts on the effective delivery of the internal audit service, its reputation and independence. Co-operative relationships with all management can enhance Internal Audit’s ability to achieve its objectives.

Financial Regulation 15(c) requires the ESPO Director will be responsible for considering and taking appropriate action on matters drawn to his attention by audit reports.

Scope & Type of Internal Audit Services

The HoIAS is required to provide an annual report to the Subcommittee including a conclusion on the overall adequacy and effectiveness of the risk management, governance and control environment for ESPO and the extent it can be relied upon. This is a requirement of the Accounts and Audit (England) Regulations 2015.

To achieve this, the Internal Audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets ESPO’s needs, adds value, improves operations and helps protect public resources.

- To provide assurance to management that ESPO's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- To provide assurance that significant risks to ESPO's objectives are being managed. This is achieved by annually assessing the adequacy and effectiveness of the risk management process.
- To provide advice and support to management to enable an effective control environment to be maintained.
- To promote an anti-fraud, anti-bribery and anti-corruption culture within the ESPO to aid the prevention and detection of fraud.
- To investigate, in conjunction with the appropriate agencies when relevant, allegations of fraud, bribery and corruption.
- To evaluate whether the information technology governance of ESPO supports its strategies and objectives.

ESPO's internal audit function is provided by an in-house team supported by occasional additional resources procured via agency contracts. The scope of the function includes the review of all activities (financial and operational) and encompasses but is not limited to objective examinations of evidence to provide independent **assurance** and **advisory** services.

Assurance services are intended to provide confidence about risk management, governance, and control processes to stakeholders, especially the management of the activity under review, Senior Management and the Subcommittee. Through assurance services, internal auditors provide objective assessments of the differences between the existing conditions of an activity under review and a set of evaluation criteria. Internal auditors evaluate the differences to determine whether there are reportable findings and to provide a conclusion about the engagement results, including reporting when processes are effective.

In accordance with the GIAS in the UK Public Sector, most assurance type audits are undertaken using the risk-based systems audit approach, the key elements of which are listed below: -

- Agree the objective and scope of the audit with management and issue terms of engagement
- Identify and record the risks, controls and tests;
- Where relevant, audit work programmes will be linked to ESPO's strategic and operational risks;
- Evaluate the controls in principle to decide whether they are appropriate and can be reasonably relied upon;
- Identify any instance of over/under control;
- Determine an appropriate strategy to test the effectiveness of controls;

- Arrive at a conclusion and produce a report leading to management actions.

Where possible, as part of the annual planning and reporting processes the Internal Audit Service will seek to identify and place reliance on assurance work completed elsewhere within ESPO's areas of responsibility.

Advisory services may be subject to agreement with the party requesting the services. Examples of advisory services include advising on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls. When performing advisory services, internal auditors are expected to maintain objectivity by not taking on management responsibility. For example, internal auditors may perform advisory services as individual engagements, but if the HoIAS takes on responsibilities beyond internal auditing, then appropriate safeguards must be implemented to maintain the internal audit function's independence

In addition to its ESPO internal audit work programme, the Internal Audit Service: -

- may provide assurance to ESPO on third party operations (such as contractors and partners) where this has been provided for as part of the contract documentation
- feeds into the Annual Governance Statement and Code of Corporate Governance, where appropriate

Audit Reporting

All internal audit recommendations are assessed in terms of risk exposure using ESPO's risk management framework. If audit testing revealed either an absence or poor application of a key control, judgement is applied as to where the risk would fall (in terms of impact and likelihood), if recommendations to either install or improve control were not implemented. If material risk exposure is identified, then a high importance (HI) recommendation is likely. It is important that management quickly addresses those recommendations denoted as HI and implements an agreed action plan without delay.

Where applicable an individual 'opinion' on each audit assignment is also reported i.e. based on the answers and evidence provided during the audit and the testing undertaken, what assurance can be given that the internal controls in place to reduce exposure to those risks currently material to the system's objectives are both adequate and are being managed effectively (see table overleaf).

There are usually four levels of assurance: full; substantial; partial; and little/no. An assurance type audit report containing at least one high importance (HI) recommendation would normally be classified as 'partial' assurance. Advisory type audits might also result in high importance recommendations.

Appendix 1

The Subcommittee is tasked with considering major internal audit findings and (HI) recommendations and escalating them and significant governance concerns to Management Committee for review'. Progress against implementing HI recommendations will be reported to the Subcommittee and Management Committee and they will remain in their domains until the HoIAS is satisfied, based on the results of specific re-testing, that the HI recommendation has been implemented.

OUTCOME OF THE AUDIT	**ASSURANCE RATING**
No recommendations or only a few minor recommendations	**Full assurance**
A number of recommendations made but none considered to have sufficient significance to be denoted as **HI** (high importance)	**Substantial assurance**
Recommendations include at least one **HI** recommendation, denoting that (based upon a combination of probability and impact) in our opinion a significant weakness either exists or potentially could arise and therefore the system's objectives are seriously compromised.	**Partial assurance** A HI recommendation denotes that there is either an absence of control or evidence that a designated control is not being operated and as such the system is open to material risk exposure. It is important that management quickly addresses those recommendations denoted as **HI** and implements an agreed action plan without delay. Alternatively, whilst individually none of the recommendations scored a HI rating, collectively they indicate that the level of risk to is sufficient to emphasise that prompt management action is required.
The number and content of the **HI** recommendations made are sufficient to seriously undermine any confidence in the controls that are currently operating.	**Little or no assurance**

Note: The HoIAS cannot be expected to give total assurance that control weaknesses or irregularities do not exist. Managers are fully responsible for the quality of internal control and managing the risk of fraud, corruption and potential for bribery within their area of responsibility. They should ensure that appropriate and adequate control and risk management processes, accounting records, financial processes and governance arrangements exist without depending on internal audit activity to identify weaknesses.

Appendix 2

Provisional - Self-assessment of compliance to CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government for ESPO

Assessment completed – January 2026

Code requirement	Current position	RAG	Action required	Resp'y & date (end)	Evidence
1. Providing authority for internal audit					
1.1 Internal audit's mandate					
To be effective and to meet the requirements of professional standards, internal audit authority needs to be established.	Internal Audit's mandate derives from the Accounts and Audit Regulations 2015 and is detailed, along with rights of access, in the Internal Audit Charter (February 2026).	G	None		Charter
Each body may agree a wider statement of internal audit authority. In developing the mandate with the chief audit executive, senior management should consider their wider assurance framework. The framework ensures that those responsible for governance and the audit committee receive the assurances they need, including assurance from first and second lines, and clarifies how internal audit contributes.	It is unknown whether there is a documented assurance framework/map for ESPO setting out other sources of assurance. Because ESPO is a smaller organisation it may not require a documented assurance framework/map.	A	Discuss requirement with Senior Management i.e. Director or ESPO and the Consortium Treasurer and Secretary	HoIAS March 2026	Scope & evidence gathered Assurance map
Development of the mandate will involve the HoIAS, senior management and the audit	ToR for Finance & Audit Subcommittee (the Subcommittee) contains a	G			Subcommittee ToR

Code requirement	Current position	RAG	Action required	Resp'y & date (end)	Evidence
committee. The audit committee must approve, or recommend for approval, the mandate.	responsibility to approve the internal audit charter.				
If there are changes to the regulations, the mandate must be updated to reflect them.	This is explicit within the Internal Audit Charter.	G			Charter
1.2 Internal Audit's Charter					
The chief audit executive has a responsibility to prepare a charter that conforms with GIAS (UK public sector).	Charter was revised in January 2026 in time for approval by the Subcommittee at its February meeting. An annual review/revision will be undertaken to support the Internal Audit Plan presented each February	G			Charter
When reviewing the charter, the audit committee should be satisfied that it covers the governance arrangements for internal audit.	Governance arrangements for internal audit are documented within the Charter.	G			Charter
It must include the mandate derived from the regulations, plus any additional agreed mandate, and include internal audit's reporting line to the audit committee.	The mandate and reporting lines to the Subcommittee are included	G			Charter
The charter should include the administrative reporting arrangements for internal audit and the chief audit executive.	The HoIAS reports to the Treasurer and to the Subcommittee (reports are agreed with the Director beforehand). The HoIAS has direct access to ESPO's organisational management team, the	G			Charter

Code requirement	Current position	RAG	Action required	Resp'y & date (end)	Evidence
	Secretary and, if required, to the Chair of the Subcommittee.				
Senior management must work with the chief audit executive to ensure that the charter sets out the arrangements the function needs to achieve internal audit's purpose. In local government, internal audits' role would normally include: *Supporting the delivery of the authority's strategic objectives by providing risk-based and objective assurance on the adequacy and effectiveness of governance, risk management and internal controls. *Championing good practice in governance through assurance, advice and contributing to the authority's annual governance review. *Advising on governance, risk management and internal control arrangements for major projects, programmes and system changes. * Access to the authority's collaborative and arm's-length arrangements.	The Charter contains the GIAS definition of purpose. Whilst the first three suggested roles are adequately covered, the fourth requires improvement. 'Collaborative' arrangements could include the External Auditor and the consortium partners internal audit functions.	A	Develop protocols for any joint work with other organisations and auditors, defining roles and responsibilities Ensure contracts with third-party providers include clauses granting internal audit access when required	HoIAS March 2026 Director of ESPO (Director) April 2026	Charter & associated documents
If the audit committee has authority, it must approve the charter; alternatively, it should recommend approval to those charged with governance (TCWG).	ToR for the Subcommittee state it has responsibility for approving the internal audit charter	G	None		ToR

Code requirement	Current position	RAG	Action required	Resp'y & date (end)	Evidence
Where there are significant changes to the governance of the authority, its risks or the internal audit function, the charter must be reviewed to ensure it is still fit for purpose and new formal approval given. A regular review is recommended to confirm the charter or update as required.	The Charter will be reviewed annually in January. Consideration will be given to updating the Charter mid-year if significant changes have arisen which may impact on the Internal Audit function	G	None		Charter
1.3 Support for internal audit: *This means access to and support from senior management, the audit committee and those charged with governance. Support allows internal audit to apply their mandate and charter in practice and meet expectations*					
Championing the role and work of internal audit to the staff within the authority and to partner organisations with whom internal audit will work.	Senior Management are all supportive of the work of internal audit and propose audits to the HoIAS as necessary.	G			Charter Annual Plan
Facilitating access to senior management, the audit committee and the authority's external auditor.	All contained within the approved Charter	G			Charter Subcommittee
Assisting, where possible, with access to external providers' assurance such as regulators, inspectors and consultants.	Charter states the HoIAS is to stay aware of other assurance and advisory providers and rely on them where appropriate. If coordination cannot be achieved, escalate the issue to Senior Management and, if necessary, to the Subcommittee.	G	See earlier actions on protocols and clauses	HoIAS March 2026 Director April 2026	Charter & associated documents

Code requirement	Current position	RAG	Action required	Resp'y & date (end)	Evidence
Engaging constructively with internal audit findings, opinions and advice.	Specific responsibilities in Charter for considering findings and monitoring responses to recommendations.	G			Charter Progress reports
Building awareness and understanding of the importance of good governance, risk management and internal control for the success of the authority, and of internal audit's contributions.	The Subcommittee receives a wide range of governance reports including the AGS. It oversees risk management arrangements	G			
Support also means putting in place conditions to enable its work:					
When senior management and those charged with governance agree organisational structures, they must ensure that the reporting line of the chief audit executive is not lower than a member of the senior management team and has access to all members of the team.	The HoIAS reports to the Treasurer and to the Subcommittee (reports are agreed with the Director beforehand). The HoIAS has direct access to ESPO's organisational management team, the Secretary and, if required, to the Chair of the Subcommittee	G			Subcommittee reports & minutes
Where internal audit is outsourced or delivered through a partnership arrangement, senior management and those charged with governance should ensure there is a nominated chief audit executive, and client responsibility lies with a member of senior management.	Not applicable at ESPO. Leicestershire County Council is the Servicing Authority	**N/A**			N/A
The audit committee can demonstrate its support for internal audit by:					
Enquiring of senior management and the chief audit executive about any restrictions on the internal audit's scope, access, authority or	Covered within the Subcommittee's oversight responsibility within the Charter	G			Charter

Code requirement	Current position	RAG	Action required	Resp'y & date (end)	Evidence
resources that limit its ability to carry out its responsibilities effectively.					
Considering the audit plan or planning scope and formally approving or recommending approval to those charged with governance.	Covered within the Charter to consider and approve the risk based internal audit strategy and plans. Also consider changes to the plan. There is no onward recommendation to TCWG	G			Charter Subcommittee ToR
Meeting at least annually with the chief audit executive in sessions without senior management present.	The Charter allows private meetings with the Subcommittee or just the Chair. Hasn't yet happened.	A	Review guidance Plan arrangements	HoIAS March 2026	Charter Agenda & notes of meeting
2. **Positioning internal audit independently:** *On behalf of those charged with governance and the audit committee, senior management establishes and protects the internal audit function's independence and qualifications. These arrangements must include:*					
2.1 Organisational independence					
Ensuring internal audits access to staff and records, as set out in regulations, and the charter operates freely and without any interference.	Contained in Charter under 'Authority'. Internal auditors are accountable for confidentiality and safeguarding records and information. The implications of any interference should be disclosed to the Subcommittee	G			Charter Progress reports
Ensuring that the chief audit executive reports in their own right to the audit committee on the work of internal audit.	Direct reporting to Senior Management and the Subcommittee is explicit in the Charter	G			Charter Reports to Subcommittee

Code requirement	Current position	RAG	Action required	Resp'y & date (end)	Evidence
Providing opportunities for the chief audit executive to meet with the audit committee without senior management present.	The Charter allows private meetings with the Subcommittee or just the Chair. Hasn't yet happened.	A	Review guidance Plan arrangements	HoIAS March 2026	Charter Agenda & notes of meeting
Where there are actual or potential impairments to the independence of internal audit, senior management should work with the chief audit executive to remove or minimise them or ensure safeguards are operating effectively.	One impairment is contained in the Charter i.e. the HoIAS/Internal Audit Service role in fraud and corruption	G			Charter
Recognise that if the chief audit executive has additional roles and responsibilities beyond internal auditing, or if new roles are proposed, it could impact on the independence and performance of internal audit. The impact must be discussed with the chief audit executive and the views of the audit committee sought. Where needed, appropriate safeguards must be put in place by senior management to protect the independence of internal audit and support conformance with professional standards.	See above	G	See above	See above	Charter
The audit committee should provide feedback on the proposed job description, and the performance evaluation of the chief audit executive should include feedback from the chair of the audit committee.	Not currently in place.	A	Arrange for feedback from Chair of Subcommittee &	AD Finance TBC	Comments received

Code requirement	Current position	RAG	Action required	Resp'y & date (end)	Evidence
			Senior Management		
The audit committee must support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence from the chief audit executive.	Contained within the Charter	G			Charter
The chief audit executive must have the right of access to the chair of the audit committee at any time.	The Charter allows private meetings with the Subcommittee or just the Chair. Hasn't yet happened.	A	Review guidance Plan arrangements	HoIAS	Charter Agenda & notes of meeting
The audit committee can escalate its concerns about internal audit independence to those charged with governance.	Contained in Charter	G			Charter
2.2 Qualifications of the chief audit executive					
The GIAS (UK public sector) sets out the qualifications of, and competencies expected of the chief audit executive. These must be taken into account by senior management when recruiting to the post.	Contained in the Charter. The HoIAS is a CIPFA member and experienced internal audit professions	G			Membership CPD
Where internal audit is fully outsourced, senior management should ensure that an appropriate individual from the provider is nominated as the	Not applicable. Leicestershire County Council is the Servicing Authority	N/A			N/A

Code requirement	Current position	RAG	Action required	Resp'y & date (end)	Evidence
chief audit executive and meets the qualification requirements.					
3. **Oversight of internal audit:** *To ensure the effectiveness of internal audit, it should be overseen by the audit committee on behalf of those charged with governance. CIPFA has established recommended practice for audit committees in local government and police, the Position Statement: audit committees in local authorities and police 2022 and its supporting guidance publication, Audit committees: practical guidance for local authorities and police (2022) The following principles are consistent with their recommended practices for the oversight of internal audit.*					
3.1 Audit committee interaction					
All audit committees should follow the CIPFA audit committee guidance for the oversight of internal audit .	This guidance has not been shared with the Subcommittee	R	Review with Senior Management the scope of guidance and training required for the Subcommittee	HoIAS April 2026	Training and guidance provided in time for the October meeting.
To ensure there is good interaction between the audit committee and internal audit, audit committees must agree its work plan with the chief audit executive to ensure there is appropriate coverage of internal audit matters within audit committee agendas. The audit committee workplan should provide for the internal audit mandate and charter, strategy, plans, engagement reporting and the annual conclusion, and quality reports.	Not LCC practice to agree on any workplans with any Committees it services. Subcommittee workplan contains all the internal audit requirements	G			Workplan

Code requirement	Current position	RAG	Action required	Resp'y & date (end)	Evidence
The audit committee must familiarise itself with the authority's assurance framework, governance, risk management and internal control arrangements to facilitate its interactions with internal audit.	It is unknown whether there is a documented assurance framework/map for ESPO setting out other sources of assurance. Because ESPO is a smaller organisation it may not require a documented assurance framework/map.	A	Discuss requirement with Senior Management i.e. Director or ESPO and the Consortium Treasurer and Secretary	HoIAS March 2026	Scope & evidence gathered Assurance map
Senior management should engage with the audit committee on significant changes to governance, risk and control arrangements and any concerns they may have on assurance.	Contained in the Charter i.e. any significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates would be amended in the Charter/Mandate.	G			Charter
The audit committee should have oversight of the annual governance statement before final approval	As ESPO is not a Local Authority it has no requirement to prepare an Annual Governance Statement (AGS) following the CIPFA/LASAAC Code of Practice in Local Authority Accounting. However, recognising that such a document is a useful tool in demonstrating good corporate governance to its stakeholders, and the Management Committee, the AGS is prepared and reviewed by the Subcommittee at its October meeting .	G			Committee ToR

Code requirement	Current position	RAG	Action required	Resp'y & date (end)	Evidence
Where there is disagreement about the management of risks or agreed audit actions between internal audit and senior management, the audit committee must review and make their recommendation to either management or those charged with governance.	The Charter states that the HoIAS will report at least annually to Senior Management and the Subcommittee regarding management's responses to risk that the Internal Audit function determines may be unacceptable or acceptance of a risk that is beyond ESPO's risk appetite.	G			Charter Progress reports
3.2 Resources					
The audit committee and senior management must engage with the chief audit executive to review whether internal audit's financial, human and technological resources are sufficient to meet internal audit's mandate as set out in the regulations and achieve conformance with GIAS (UK public sector).	The Charter states the Subcommittee should consider and approve the risk-based internal audit strategy and plans. This includes making appropriate inquiries of senior management and the HoIAS to determine whether scope or resource limitations are inappropriate.	G			Charter Annual IA Plan HoIAS Annual Report
Where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns should be formally recorded and reported to those charged with governance.	Not explicit but covered in the Charter where the Subcommittee can escalate governance concerns to Management Committee for review.	G			ToR Charter
If resource issues result in a limitation of scope on the annual conclusion, this should also be reported and disclosed in the annual governance statement.	Contained in the Charter	G			

Code requirement	Current position	RAG	Action required	Resp'y & date (end)	Evidence
Decisions on internal audit resourcing by senior management and those charged with governance must take account of the longer-term risks to the governance and financial sustainability of the authority and internal audit's role in supporting those objectives.	The budget for the Internal Audit Service has been preserved and vacancies kept despite budgetary pressures, enabling delivery of the plan using outside resources.	G			
Where there are temporary resource constraints, senior management must work with the chief audit executive to establish longer-term plans for sustainable internal audit resources.	Temporary resource constraints have been managed using outside resources.	A	Consider filling vacancies on short term/fixed contracts pending the outcome of LGR	HoIAS AD Finance June 2026	
3.3 Quality					
Annually, the audit committee must review the results of the chief audit executive's assessment of conformance against GIAS (UK public sector), including any action plan.	Annual assessments against PSIAS (the former standards) and the implementation of GIAS (UK public sector) have been reported to the Subcommittee. CIPFA is launching a self-assessment tool in January	A	Conduct assessment against GIAS (UK public sector) and report in October 2026	HoIAS May 2026	HoIAS Annual Report
The audit committee must review the chief audit executive's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives.	This is clear within the Charter (Subcommittee Oversight)	G			Charter HoIAS Annual Report

Code requirement	Current position	RAG	Action required	Resp'y & date (end)	Evidence
To meet the requirements of the regulations (the mandate) for internal audit, the audit committee must satisfy itself on the effectiveness of internal audit. They should take into account conformance with the standards, interactions with the committee, performance and feedback from senior management. Their conclusions should be reported to those charged with governance, for example, as part of the audit committee's annual report.	This is clear within the Charter (Subcommittee Oversight)	G			Charter HoIAS Annual Report
3.4 External quality assessment					
On behalf of those charged with governance and the audit committee, senior management must ensure that internal audit has an external quality assessment at least once every five years of its conformance against GIAS (UK public sector), including this Code. Senior management and the chief audit executive should discuss the timing of the review and report the options and their recommendations to the audit committee.	In October 2024, the Subcommittee was informed that the outcome of the five yearly External Quality Assessment (EQA) was 'The Leicestershire County Council internal audit service is delivering to a standard that generally conforms with the Public Sector Internal Audit Standards'.	G			EQA
Senior management and the chief audit executive should discuss the timing of the review and report the options and their recommendations to the audit committee.	The next EQA is not due until 2028-29	**N/A**			

Code requirement	Current position	RAG	Action required	Resp'y & date (end)	Evidence
The proposals for the scope, method of assessment and assessor should be brought to the audit committee for agreement. The assessor must use this Code alongside the standards and be familiar with the sector.	The next EQA is not due until 2028-29	**N/A**			
The audit committee must receive the complete results of the assessment and consider the chief audit executive's action plan to address any recommendations. Progress should be monitored.	The 2024 Assessor made recommendations for improvement. These need to be reviewed against any new requirements in the GIAS (UK public sector introduced from 1 April 2025.	**A**	Conduct assessment against GIAS (UK public sector) and report in October 2026	HoIAS May 2026	HoIAS Annual Report
Where the audit committee does not have delegated authority, the committee should report the overall results of the external quality assessment to those charged with governance.	The Subcommittee has delegated authority.	**G**			Committee Annual Report

Draft Internal Audit Strategy for ESPO (January 2026 to March 2028)

Appendix 3

Vision: **To become an established trusted advisor and strategic partner to senior management, providing independent and objective assurance, insight and challenge that contributes to informed decision-making, improved governance, and enhanced organisational performance.**

Mission: **We enhance and protect ESPO's organisational value by providing risk-based, objective and impactful assurance, insight and**

State – January 2026 → Strategy → State – March 2028

Current State	Strategic IA Objectives	Strategic IA Initiatives	Priority	Desired End State
73% of audit clients are very satisfied with the timeliness & quality of insights in audit reports.	Improve the timeliness & quality of insights in reports.	Integrate conversations into the engagement process at key intervals to refine and finalise audit insights.		85% of clients are very satisfied with the timeliness & quality of insights in reports.
For appropriate audits 40% of auditors use data analytics in the engagement.	a. Embed audit technology and analytics into audit for all audit workflows. b. Increase auditors' digital acumen and data literacy.	a. Pilot continuous monitoring in at least two new key risk areas. b. Establish & reinforce baseline, role-level expectations for data analytics use c. Regular training and upskilling		For appropriate audits 100% of auditors use data analytics for engagements.
AI is infrequently utilised	Embed the controlled use of AI	Attend demonstrations by peers into utilisation of AI Comply with IT policy on safe use of AI		All audits utilise AI (in some capacity) within a robust control environment
80% of auditors are highly engaged and feel managers are invested in their careers.	Refine talent strategy to recruit, retain, & engage next generation auditors. Re-run SWOT	Develop career pathways to help communicate & clarify career options and development opportunities for auditors		100% of auditors are highly engaged & feel managers are invested in their careers.
IA Maturity Analysis: Self-assessed between Level 3 (Implemented)[1] & Level 4 (Managed)[2]	Close any gaps so that Level 4 is attained	Workshops with Senior Management.		Level 4 attained/maintained. Working towards level 5 (Optimising)[3].
Unplanned for impact/changes from LGR	On decision engage staff & other LAs	Join audit network LGR group		Successfully implement outcome

Uncertainty over level of GIAS conformance	Identify and address gaps Align to EQA improvements areas	Utilise IA networks & CIPFA tools & guidance Specific GIAS training		Full conformance by March 2026
Key Performance Indicators/Performance Reporting require review and update	Identify and address gaps	Utilise IA networks Design & Implement Monitoring and Reporting Tool		Routine reporting as and when required for Senior Management and Subcommittee
Improvements required following self-assessment against CIPFA Code of Practice for the Governance of IA in LG	Complete actions by end of May 2026	Compliance with identified actions		Report conformance to Code to October 2026 Subcommittee

Internal Audit Maturity Analysis Framework Levels

[1] Level 3 - Implemented: At the Implemented level, internal audit policies, procedures, and approaches are formally defined, documented, and integrated with one another. The function consistently adheres to professional standards, such as the GIAS. Technology and data analytics are embedded into the audit lifecycle, enabling more efficient and effective assurance.

[2] Level 4 - Managed: As the function reaches the Managed level, it becomes an integral component of the organisation's governance and risk management framework. Audit plans are dynamic and responsive to changing business needs. Continuous monitoring and data-driven insights enable proactive risk identification. The function is seen as a trusted advisor, delivering value beyond basic assurance.

[3] Level 4 - Optimised: At the pinnacle of maturity, the internal audit function is fully aligned with the organisation's purpose and strategic objectives. It focuses on continuous learning and improvement, leveraging advanced analytics and innovative techniques to deliver predictive insights. The function is adaptive and consistently delivers measurable value to the organisation.

Agenda Item 6

ESPO FINANCE & AUDIT SUBCOMMITTEE – 25 FEBRUARY 2026

REPORT OF THE CONSORTIUM TREASURER

ANNUAL INTERNAL AUDIT PLAN 2026-27

Purpose of Report

1. The purpose of this report is to seek approval of the ESPO Internal Audit Plan 2026-27.

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. The Finance & Audit Subcommittee (the Subcommittee) has a delegated function to, 'receive and approve Internal Audit annual reports (annual plans, progress and annual reports, and the Internal Audit Charter), escalating high importance recommendations and significant governance concerns to the Management Committee for review'.

4. At its meeting on 30 October 2024, the Subcommittee was advised that from 1 April 2025, new Internal Audit Standards would replace the former Public Sector Internal Audit Standards. The new standards combine the Global Internal Audit Standards (GIAS) with CIPFA's 'Application Note', which essentially brings together the GIAS and specific requirements for the UK public sector. Together, they form the 'GIAS UK (public sector)'.

5. In the UK public sector, a Head of Internal Audit must prepare at the organisation level an overall conclusion encompassing governance, risk management and control at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control.In In order to form the conclusion, the HoIAS creates an internal audit plan that supports the achievement of ESPO's objectives. The scope of internal audit work needs to be wide.

6. The HoIAS' conclusion helps to inform the Annual Governance Statement (a requirement under the Accounts and Audit Regulations 2015, which apply to the Member Authorities comprising ESPO).

Planning methodology

7. The Director of ESPO and the Leadership Team identify and manage risk and where it is required, design, implement and operate robust internal control systems. Targeted internal audits have identified continuing improvements to governance and risk management at ESPO, so to ensure that current and emerging risks are adequately covered the audit plan is aligned with the Corporate Risk Register, the Business Strategy and Governance Reporting.

8. To further develop the scope of audit coverage, the HoIAS researches and evaluates where other/additional risk might occur to ESPO using methods including: -

    a. Consulting on emerging risks, planned changes and potential issues with the Director and the Leadership Team and the Consortium Treasurer and Secretary.
    b. Evaluation of governance arrangements e.g. plans, committee reports, accounts, risk register and governance statements
    c. Identification and evaluation of the robustness of other forms of assurance received including reviewing the External Auditor's Report
    d. Where available, comparisons against similar purchasing consortia audit plans.
    e. 'Horizon scanning' new and emerging risks from professional and industry sources
    f. The risks to critical 'business as usual' systems when focus shifts elsewhere

9. Part of the plan requires annual audits on key elements of the financial and IT systems.

10. Any other significant projects for example material changes to ESPO's business risks or significant ICT developments would be targeted for audit. GDPR compliance continues to be covered as part of Leicestershire County Council's audit coverage, but any findings of relevance will be reported to ESPO members. A contingency is retained for advisory work, unforeseen risks, special projects and investigations. An allocation is reserved for the HoIAS' role in governance requirements (attendance at committees, forming the annual conclusion and reports etc) and progressing any high importance recommendations.

The Internal Audit Plan 2026-27

11. The plan for 2026-27 is appended to the report. It contains a wide scope of audits that should allow the HoIAS to form a conclusion on the overall adequacy and effectiveness of ESPO's control environment (its framework of governance, risk management and internal control).

12. The second column indicates which component of the control environment the audit primarily matches (there is quite often overlap).

13. The 2026-27 plan aims to give the optimum audit coverage within the resources available. Though it is compiled and presented as a plan of work, it must be stressed that it is only a statement of intent, and there is a need for flexibility to review and adjust it as necessary in response to changes in ESPO's business, risks, operations, programs, systems, and controls. The HoIAS will discuss and agree any material changes with the Director of ESPO and Consortium Treasurer and Secretary and these would be reported to the relevant Committee dependent on timing.

14. Detailed Terms of Engagement covering each audit's scope, timing and any areas for exclusion are agreed with the relevant risk owners (Assistant Director) in advance of each audit.

Progressing the Audit Plan

15. Responsibility for the evaluation and management of risk and the design and consistent operation of internal controls rests with ESPO management. LCCIAS' role and responsibility is to carry out independent and objective audits and give a conclusion on the extent to which risk is being managed and (where appropriate) make recommendations to improve controls.

16. On completion of each audit, findings will be discussed with the appropriate risk owner before issuing a report to the Director and the Treasurer. The conclusion reached, along with summary findings are reported each quarter to the Director and the Treasurer and will be reported more formally to the Subcommittee at its scheduled meetings, with any urgent matters in the interim periods being brought to the attention of the Management Committee.

17. If any audit produces a 'high importance' recommendation, then details would be shared with the Subcommittee and escalated to the Management Committee for review dependent on timing. Specific re-testing is undertaken later in the year to prove that control has improved and is embedded.

Resource Implications

18. The budget for the provision of the internal audit service is contained within ESPO's Medium Term Financial Strategy under charges by the Servicing Authority. The 2026-27 plan has been agreed on an indicative 150 days. This level of coverage should enable the HoIAS to provide overall reasonable assurance to the Consortium Treasurer the risks that ESPO is facing are being managed.

19. Implementation of the GIAS UK (public sector) continues to significantly impact the resources of the HoIAS and his team.

Conclusions

20. The detail of the 2026-27 internal audit plan is attached as an appendix to this report. The plan has been discussed and agreed with the Consortium Treasurer, Consortium Secretary, and the Director of ESPO.

Recommendation

21. The Subcommittee is requested to:

    a. Approve the ESPO Internal Audit Plan 2026-27

Equal Opportunities Implications

There are no known direct implications resulting from the internal audit plan strategy, although 'human resource' elements will be audited.

Background Papers

Report to ESPO Finance & Audit Subcommittee - 12 February 2025 – Annual Internal Audit Plan 2025-26 and Plans for Implementing New Internal Audit Standards

https://democracy.leics.gov.uk/documents/s188301/Annual%20Internal%20Audit%20Plan%20202526%20-%20Plans%20for%20Implementing%20New%20Internal%20Audit%20Standards%20Report.pdf

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Appendices

Appendix ESPO Internal Audit Plan 2026-27

				Appendix
ESPO Internal Audit Plan 2026-27				
Reference	**Control env't component**	**Entity**	**The indicative audit objective is to ensure that…**	**Risk Reg**
ESPO 26/27 - A	Various	Continuation of work commenced in 2025-26	Any outstanding audits that overlap the financial year are promptly completed	Various
ESPO 26/27 - B	Governance	Annual Governance - Areas for further development	Areas of the 2024/25 Annual Governance Statement highlighted for further development have been addressed.	8 & also indirectly all other risks
ESPO 26/27 - C	Governance	Cyber Security	Adequate Cyber Security arrangements are in place in accordance with nationally issued good practice guidance. (To include the follow up of the four remaining HI recommendations from the previous Cyber Security Audit)	1, 8, 20, 79 & 82
ESPO 26/27 - D	Governance	Preparedness for Local Government Reorganisation	ESPO is preparing itself to respond effectively to any new or amended scope of work potentially arising from potential local government reorganisation and is proactively identifying and mitigating associated key risks.	6, 8, 41, 89 & 100
ESPO 26/27 - E	Risk management	Counter Fraud - NFI specific	Relevant data is extracted and uploaded in Quarter 2/Quarter 3 and assessment of output reports is commenced in Quarter 4. The overall objective of the work being 'results are correctly interpreted and investigated on a risk-assessed basis and have due regard for an adequate segregation of duties.' Note a report of resultant findings will be compiled in Q1/2 of 27/28)	20 & 82 & indirectly 8
ESPO 26/27 - F	Risk management	Risk Management Framework	To assess whether management has identified, assessed, and mitigated key organisational risk(s) in line with the ESPO's risk appetite	8 & Various - depending on scope
ESPO 26/27 - G	Internal control	Stock Theft - Counter Fraud Audit	Stock management and security controls are adequate to minimise the risk of theft and loss. To potentially include physical security controls, results of stock checks, discrepancy analysis, management spot-checks, (obsolete) stock write-off processes, employee training, etc.'- Note: Coverage informed by the results of the Fraud Risk Assessment undertaken in 25/26	20 & indirectly 8
ESPO 26/27 - H	Risk Management	Emerging risks	ESPO identification and preparedness for any emerging risks e.g. Legislative changes, material changes to the 5-Year business strategy and other 'in year' matters requiring urgent attention	Various
ESPO 26/27 - I	Internal control	General Financial Systems (*)	To discuss with the External Auditor and the ESPO Financial Controller/Consortium Treasurer, but typical coverage includes reconciliations; receivables; payables; payroll and stock. Note: Where/if applicable, this will also address anything relevant from the latest external audit findings report at the date of testing.	1, 5, 6, 8 & 20
ESPO 26/27 - J	Internal control	IT general controls (*)	The range of Information Technology General Controls (ITGC) expected by the External Auditor are well designed and consistently applied.	1, 5, 8, 20, 30, 34, 47, 48, 71, 79, 82, 84 & 94
ESPO 26/27 - K	Governance	Artificial Intelligence	The use of Artificial Intelligence is deployed in a controlled manner throughout the business in accordance with policy	94 & 8
ESPO 26/27 - L	Internal control	Rebates income	To validate completeness, accuracy, and cut-off for risk assessed rebate accruals/collections.	45, 46 & also indirectly 6, 25, 58 & 89
ESPO 26/27 - M	Governance	Audit Committee Guidance and Training	Ensure members are suitably equipped with the knowledge, skills and independent required to provide robust oversight	8
ESPO 26/27 - N	Internal Control	Sale of Vehicles	Income from the sale of vehicles is promptly identified and accounted for	6 & 8,
ESPO 26/27 - O	Governance	Heath & Safety Reporting	Incidents and Near Misses are promptly and accurately recorded and communicated to enable prompt and appropriate mitigating actions to be put in place (work will also incorporate ensuring the latest Health & Safety Audit Recommendation are appropriately and promptly addressed.	8, 33, 34,70, 85
ESPO 26/27 - P	Governance	Third Party Assurance	To assess whether third party assurance is identified and provides timely, high quality assurance that is promptly reviewed, acted upon and used to strengthen governance and risk management	8 indirectly 6
ESPO 26/27 - Q	Governance	Servicing Authority Service Level Agreements	Service level agreements are accurate, supported by measurable KPIs, underpinned by effective account management, with timely resolution of issues and robust risk management to ensure value for money.	8 indirectly 6 & 89
ESPO 26/27 - R	Various	Contingency	Unforeseen events brought to the attention of the Head of Internal Audit Service by either ESPO Leadership Team or the Consortium Officers - examples **may** include: Risk of business failure by debtors, legislative issues, staff retention and absence, failure of banking and/or investment partner, health & safety issue, stores/trading & brand issue, product Safety Issue, supply chain issue etc	Various
ESPO 26/27 - S	N/A	Client management	Planning & research; progress meetings; servicing Committees; HoIAS requirements; confirming implementation of HI recommendations; External Audit liaison; advice	N/A
			Total Days	
(*) Annual audits undertaken that may assist the External Auditor				

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ESPO FINANCE AND AUDIT SUBCOMMITTEE – 25 FEBRUARY 2026

INTERNAL AUDIT SERVICE - PROGRESS AGAINST THE 2025-26 INTERNAL AUDIT PLAN

REPORT OF THE CONSORTIUM TREASURER

Purpose of the Report

1. The purpose of this report is to provide the Finance and Audit Subcommittee (the Subcommittee) with a summary of work undertaken by Leicestershire County Council's Internal Audit Service (LCCIAS) during the period 23 September 2025 to 26 January 2026.

Background

2. The Consortium Treasurer (the Treasurer) is responsible for the proper administration of ESPO's financial affairs. In accordance with ESPO's Financial Regulations Rule 15, specific responsibility for arranging a continuous internal audit is delegated to the Treasurer. Under its terms of reference, the Finance and Audit Subcommittee (the Subcommittee) should receive and approve Internal Audit annual reports (annual plans, progress and annual reports, and the Internal Audit Charter), escalating any high importance recommendations and significant governance concerns to the Management Committee for review. The Subcommittee also monitors the adequacy and effectiveness of the internal audit service provided to ESPO. To achieve this, the Subcommittee is provided with periodic progress reports.

3. The audits undertaken are based on the Annual Internal Audit Plan (the Plan). Variations to the Plan can occur but need to be considered with and agreed by the Treasurer and the Director of ESPO.

4. The 2025-26 Plan was approved by the Subcommittee at its meeting on 12 February 2025. The scope of the audits and progress against them is appended to the report.

5. New internal audit standards apply from 1 April 2025, the Global Internal Audit Standards in the UK Public Sector (GIAS UK (public sector). A report explaining three governance documents required to be in place to ensure compliance with the new standards is contained elsewhere on the agenda.

Summary of Progress

Audit Opinion:

6. Where audits undertaken are an 'assurance' type i.e., the auditor is able to objectively examine evidence for the purpose of providing an independent assessment, then an engagement 'conclusion' can be given i.e., the level of assurance that material risks are being managed. There are four levels of assurance: full; substantial; partial; and little.

7. On occasions, the audit might require a high importance (HI) recommendation, denoting that (based upon a combination of probability and impact) in our opinion a significant weakness either exists or potentially could arise and therefore the system's objectives are seriously compromised. A report that has a HI recommendation would not normally get a conclusion above partial assurance. Exceptions would be where the controls are sound but there is a high importance efficiency recommendation.

8. The sum of individual engagement conclusions assists the Head of Internal Audit Service (HoIAS) to form an annual conclusion on the overall adequacy of ESPO's control environment, comprised of its governance, risk management and internal control framework

   Advisory audits do not result in an opinion but are reported in the Appendix and considered in the HoIAS annual conclusion.

High Importance (HI) Recommendations

9. To date 2025-26 coverage has not resulted in any high importance recommendations and/or partial assurance reports and there are no legacy high importance recommendations from previous financial years.

2025-26 Progress to date

10. A summary of progress is as follows: -

Status	Number	Opinion	Reference
Prior Year	N/A	All substantial	All work concluded (25/26 – A)
Final Report	7	Substantial	Annual Governance -

Issued			Areas for further development (25/26 – B)
		N/A – Follow Up	Cyber Security (25/26 – C)
		Substantial	Stock (25-26 – D)
		Substantial	Rebates (25/26 – K)
		Substantial	Energy Billing (25/26 – N)
		Substantial	Business Continuity (25/26 – O)
		Substantial	Health & Safety Reporting (25/26 – P)
Advisory work concluded	5	No instances of fraudulent activity were noted from the work undertaken	Counter Fraud - NFI specific *(25/26 – E)*
		N/A	Fraud Risk Assessment – (25/26 – F)
		N/A	Counter Fraud (25/26 – G)
		N/A	Emerging Risks (25/26 – H)
		N/A	Contingency (25/26 – S)
Work In Progress	5	Conclusion TBC	General Financial Systems (*)
			IT general controls (*)
			Procurement
			Framework Agreements

			Value for Money Product Benchmarking *(25/26 – I, J, L, Q & R)*
Cancelled	1	N/A	Framework Agreements *(25/26 – M)*

11. There are valid reasons for audits that are currently classified as work in progress or not started for example:

- Needing to be undertaken in the final quarter due to sample size requirements
- On-going work throughout the financial year
- Good progress having already been made e.g. towards the end of testing or draft report being compiled or reviewed

12. At this period in the financial year, reasonable assurance can be given that the audits are on track to be delivered subject to the usual caveats i.e.

- Actual time required to complete an audit being longer than budgeted
- Any work that logically straddles more than one financial year
- Unforeseen resourcing issues for either ESPO or Internal Audit

13. The Appendix provides more detailed progress against the 2025-26 plan. Audit reference numbers (in the sequence of the agreed internal audit plan) and type (governance, risk management and internal control) have been added to track each audit's progress.

Recommendation

14. That the Subcommittee notes: -
    a. the progress against the 2025-26 Plan
    b. that there are no high importance recommendations within the Subcommittee's domain

Equal Opportunities Implications

15. There are no discernible equal opportunities implications resulting from the audits listed.

Background Papers

Report to ESPO Finance & Audit Subcommittee 12 February 2025 – Annual Internal Audit Plan 2025-26

Covering Report:

https://democracy.leics.gov.uk/documents/s188301/Annual%20Internal%20Audit%20Plan%20202526%20-%20Plans%20for%20Implementing%20New%20Internal%20Audit%20Standards%20Report.pdf

Actual 25/26 Plan:

https://democracy.leics.gov.uk/documents/s188296/Appendix%201%20-%20ESPO%20Internal%20Audit%20Plan%202025-26.pdf

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Appendix

Appendix – Summary progress against 2025-26 audits as at January 2026

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Summary progress against 2025-26 audits at 26 January 2026

Audits 'completed' to at least draft issued stage and/or on-going advisory work/Prior year jobs

Ref	Type[2]	Audit title	Assurance objective	Position @ 26 January 2026
25/26 - A	Various	Continuation of work commenced in 2024-25	Any outstanding audits that overlap the financial year are promptly completed	Complete
25/26 - B	Governance	Annual Governance - Areas for further development	Areas of the 2023/24 Annual Governance Statement highlighted for further development have been addressed.	Final report issued – Substantial Assurance
25/26 - C	Governance	Cyber Security	Adequate Cyber Security arrangements are in place in accordance with nationally issued good practice guidance and associated self-assessment - focus will be on the 11 actions that remained WiP from our 24/25 coverage	Follow Up from 24-25 Final Report Issued for 25-26 four actions remain to be followed up as part of 26-27 coverage.
25/26 - D	Internal Control	Stock	Controls and procedures in place mitigate the risk of any discrepancies (including frequency of stock take) are operating correctly	Final Report issued – Substantial Assurance
25/26 - E	Risk Management	Counter Fraud - NFI specific	Results (output reports) are correctly interpreted and investigated on a risk-assessed basis and have due regard for a segregation of duties. Note: This is Part 2 of the audit. Part one was in the previous financial year and involved ensuring the requisite data was extracted at 30 September,	Advisory work complete. No instances of fraudulent activity were noted from the work undertaken

			subsequently uploaded in October and resultant output reports were distributed in Jan/Feb.	
25/26 - F	Risk Management	Fraud Risk Assessment (FRA)	There is a full assessment of fraud risks to the organisation in line with the principles set out within the CIPFA Code of Practice - Managing the Risk of Fraud and Corruption.	Advisory work complete. A completed FRA has been discussed with Leadership Team
25/26 - G	Internal Control	Counter Fraud Audit	Potential fraud vulnerabilities in a specific area are correctly identified and adequately mitigated against *(Note: Auditable area will be informed by the results of the Fraud Risk Assessment)*	Advisory Work Complete Time used to investigate an anonymous whistleblowing complaint (subsequently unfounded).
25/26 - H	Risk Management	Emerging risks	ESPO identification and preparedness for any emerging risks e.g. Legislative changes, material changes to the 5-Year business strategy and other 'in year' matters requiring urgent attention	Advisory Work complete
25/26 - K	Internal control	Rebates income	Annual audit coverage to evaluate whether rebates received conform to estimates of supplier business generated - focus will be on concluding site visit related work commenced in 24/25	Final Report Issued – Substantial Assurance
25/26 - N	Internal control	Energy - Customer Billing	Fully managed gas service is correctly invoiced to customers. Note: This audit was expanded slightly to	Final report issued – Substantial Assurance

			incorporate the following revised objective: To provide assurance to management that (i) the fully managed gas service is correctly invoiced to customers and (ii) there is prompt and accurate collection of rebate from suppliers on energy framework agreements (electricity, gas and liquid fuels).	
25/26 - O	Risk Management	Business Continuity	That the risk of business inoperability is minimised and appropriate risk mitigating actions are taken (incorporating simulation exercises completed)	Final report issued – Substantial Assurance
25/26 - P	Governance	Health & Safety Reporting	Incidents and Near Misses are promptly and accurately recorded and communicated to enable prompt and appropriate mitigating actions to be put in place	Final report issued – Substantial Assurance
25/26 - S	Internal control	Contingency	Unforeseen events brought to the attention of the Head of Internal Audit Service by either ESPO Leadership Team or the Consortium Officers - examples may include: Risk of business failure by debtors, legislative issues, staff retention and absence, failure of banking and/or investment partner, health & safety issue, stores/trading & brand issue, product Safety Issue, supply chain issue etc	Complete: On-going ad-hoc advisory. Time used partially related to the initial high-level investigation of an unfounded anonymous whistleblowing complaint.

Audits in progress

Ref	Type[2]	Audit title	Assurance objective	Position @ 26 January 2026
25/26 - I	Internal control	General Financial Systems (*)	To discuss with the External Auditor and the ESPO Financial Controller/Consortium Treasurer, but typical coverage includes reconciliations; receivables; payables; payroll and stock	Testing nearing completion Was not due for completion until Quarter 4
25/26 - J	Internal control	IT general controls (*)	The range of Information Technology General Controls (ITGC) expected by the External Auditor are well designed and consistently applied.	Testing currently being undertaken Was not due for completion until Quarter 4
25/26 - L	Governance	Procurement	Regulations and the associated policies and procedures have been correctly applied in accordance with the tender date (focus to be on notice requirement & the assessment summary)	Draft report being reviewed.
25/26 - Q	Risk Management	Loss of/Reduction in Business	Specific Mitigating Controls within the Risk Register are accurate, operating as intended and reduce the risk accordingly	Draft report being reviewed.
25/26 - R	Governance	Value for Money Product Benchmarking	Policies and procedures to ensure ESPO continuously benchmark key product ranges against competitors and make timely adjustments where appropriate/economical to do so	Draft report being reviewed.

Audits not started

None

Deferred/cancelled audits

Ref	Type[2]	Audit title	Assurance objective	Position @ 26 January 2026
25/26 -M	Risk Management	Framework Agreements	Up to date Framework agreements are in place for all suppliers.	The original plan entry was in respect of an External Audit finding; however, the Commercial Financial Controller & Head of Commercial both confirmed this finding was due to a misunderstanding in respect of procedures involving "exchange of letters" and also the optional use of 'Confirmation of Award' forms.

None to date

[1]unique reference numbers based on the financial year in question (i.e. '25/26-A' relates to the first entry on the approved 2025/26 audit plan)
[2] the three elements of the control environment (governance, risk management and internal control)
[3] traditionally audits where the external auditor has placed reliance on the work of internal audit

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