



ESPO FINANCE AND AUDIT SUBCOMMITTEE – 20 MAY 2020

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2019-20

REPORT OF THE CONSORTIUM TREASURER

Purpose of Report

1. To provide the Finance and Audit Subcommittee (the Subcommittee) with an annual report on internal audit work conducted during 2019-20.

Background

2. The Consortium Treasurer (the Treasurer) is responsible for the proper administration of ESPO's financial affairs and has a specific responsibility for arranging a continuous internal audit of those affairs. The Treasurer arranges for Leicestershire County Council's Internal Audit Service (LCCIAS) led by the Head of Internal Audit Service (HoIAS) to provide internal audit for ESPO.
3. Part 2, 'Internal Control' of the Accounts and Audit Regulations (2015) provide at section 5 'Internal Audit' that, 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
4. The relevant standards are the United Kingdom Public Sector Internal Audit Standards (PSIAS) which were last updated in April 2017. Guidance on applying the standards is provided in an accompanying CIPFA Local Government Application Note which was last updated in 2019.
5. The PSIAS require that the purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter. The Internal Audit Charter for ESPO (re-approved by Management Committee 28 February 2017) defines the Finance & Audit Subcommittee (the Subcommittee) as 'the Board'. The PSIAS require the HoIAS to provide an annual report to 'the Board' timed to support the production of the draft Annual Governance Statement (AGS) which will be reported to Management Committee at its meeting scheduled 16 September 2020.
6. However, the Subcommittee does not have any decision-making authority, and so the HoIAS' annual report will need to be approved by Management Committee at its meeting on 24 June 2020.

7. The PSIAS require the HoIAS' annual report to include:
- a. an annual internal audit opinion on the overall adequacy and effectiveness of ESPO's control environment
 - b. a summary of the audit work from which the opinion is derived
 - c. a comparison of the work actually undertaken with the work that was planned, including a summary of the performance of the internal audit function
 - d. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP) – **note:** this will be undertaken in time to be reported to the Management Committee on 24 June 2020
 - e. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement

Internal Audit Service Annual Report 2019-20

8. The annual report for 2019-20 is provided in the Appendix.
9. Headlines from the report are: -
- a. Overall, positive opinions were given in all three components of the 'control environment' i.e. the framework of governance, risk management and control (Annex 1)
 - b. Work will continue with reviewing alternative financial and ICT systems remote delivery implemented to respond to the coronavirus
 - c. The majority of planned work was achieved
 - d. The HoIAS considers ESPO's response to the coronavirus pandemic will be relevant to the preparation of the AGS

Resources Implications

10. The budget for the provision of the internal audit service is contained within ESPO' Medium Term Financial Strategy under charges by the Servicing Authority.
11. 170 of the planned 175 days was achieved. The total charge to ESPO was £51,625.

Recommendations

That the Finance and Audit Subcommittee notes the Internal Audit Service annual report for 2019-20 and advises the Management Committee accordingly.

Equal Opportunities Implications

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

Background Papers

Constitution of the ESPO Management Committee
Accounts and Audit Regulations (Amendment) 2015
The Public Sector Internal Audit Standards (revised from April 2017)
Annual Internal Audit Plan 2019-20

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Appendices

- Appendix Internal Audit Service Annual Report 2019-20
- Annex 1 The HoIAS Annual Opinion on the overall adequacy and effectiveness of ESPO's control environment
- Annex 2 Summary of Internal Audit Service work 1 April 2019 to 8 May 2020 from which the overall opinion is derived

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