



ESPO FINANCE & AUDIT SUBCOMMITTEE – 26 MAY 2021

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2020-21

REPORT OF THE CONSORTIUM TREASURER

Purpose of Report

1. To provide the Finance & Audit Subcommittee (the Subcommittee) with an annual report on internal audit work conducted during 2020-21.

Background

2. The Consortium Treasurer (the Treasurer) is responsible for the proper administration of ESPO's financial affairs and has a specific responsibility for arranging a continuous internal audit of those affairs. The Treasurer arranges for Leicestershire County Council's Internal Audit Service (LCCIAS) led by the Head of Internal Audit Service (HoIAS) to provide internal audit for ESPO.
3. Part 2, 'Internal Control' of the Accounts and Audit Regulations (2015) provide at section 5 'Internal Audit' that, 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
4. The relevant standards are the United Kingdom Public Sector Internal Audit Standards (PSIAS) which were last updated in April 2017. Guidance on applying the standards is provided in an accompanying CIPFA Local Government Application Note which was last updated in 2019.
5. The PSIAS require that the purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter. The Internal Audit Charter for ESPO (re-approved by Management Committee 28 February 2017) defines the Finance & Audit Subcommittee (the Subcommittee) as 'the Board'. The PSIAS require the HoIAS to provide an annual report to 'the Board' timed to support the production of either the draft Annual Governance Statement or a different governance related report supporting the financial statements, which will be reported to a future Management Committee.
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 23 June 2021.
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 23 June 2021
- e. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement

Internal Audit Service Annual Report 2020-21

8. The annual report for 2020-21 is provided in the Appendix.
9. Headlines from the report are: -
 - a. Whilst one audit returned a partial assurance rating, management has accepted the recommendation and is already working to implement them.
 - b. Overall, positive opinions were given in all three components of the 'control environment' i.e. the framework of governance, risk management and control (Annex 1)
 - c. An overall substantial assurance rating is given that the control environment remains adequate and effective.
 - d. The majority of planned work was achieved
 - e. More days were provided than planned, despite disruptions caused by the Government imposed lockdowns
 - f. The HoIAS considers ESPO's responses to continuing to operate its finance and IT systems during lockdowns were well planned.

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. 155 days were provided (150 planned) and the total charge to ESPO was £52,350.

Recommendations

12. That the Finance & Audit Subcommittee notes the Internal Audit Service annual report for 2020-21 and advises the Management Committee accordingly.

Equal Opportunities Implications

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

Background Papers

Constitution of the ESPO Management Committee
Accounts and Audit Regulations (Amendment) 2015
The Public Sector Internal Audit Standards (revised from April 2017)
Annual Internal Audit Plan 2020-21

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Appendices

- Appendix Internal Audit Service Annual Report 2020-21
- Annex 1 The HoIAS Annual Opinion on the overall adequacy and effectiveness of ESPO's control environment
- Annex 2 Summary of Internal Audit Service work between 1 April 2020 and 14 May 2021 from which the overall opinion is derived

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