



ESPO FINANCE AND AUDIT SUBCOMMITTEE – 11 OCTOBER 2023

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2022-23

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 2022-23. The Annual Report is appended to this report.

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 and Audit Subcommittee as 'the Board'. The PSIAS require the HoIAS to provide an annual report to 'the Board' timed to support the production of either the draft Annual Governance Statement or a different governance related report supporting the financial statements.

6. The PSIAS require the HoIAS' annual report to include:
- i. an annual internal audit opinion on the overall adequacy and effectiveness of ESPO's control environment (see Annex 1);
 - ii. a summary of the audit work from which the opinion is derived (see Annex 2);
 - iii. a comparison of the work actually undertaken with the work that was planned, including a summary of the performance of the internal audit function (see the Appendix);
 - iv. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP) (see Annexes 3 and 4); and
 - v. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement (see the Appendix).

Internal Audit Service Annual Report 2022-23

7. The annual report for 2022-23 is attached at the Appendix.
8. Headlines from the report are: -
- i. Overall, positive opinions were given in all three components of the 'control environment' i.e. the framework of governance, risk management and control (attached at Annex 1)
 - ii. An overall substantial assurance rating is given that the control environment remains adequate and effective.
 - iii. The majority of planned work was achieved.

Resources Implications

9. 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.
10. 150 days were provided and the total charge to ESPO was £55,491.

Recommendations

11. That the Finance and Audit Subcommittee approves the Internal Audit Service Annual Report for 2022-23.

Equal Opportunities Implications

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

Background Papers

Accounts and Audit Regulations (Amendment) 2015

<https://www.legislation.gov.uk/ukxi/2015/234/contents/made>

The Public Sector Internal Audit Standards (revised from April 2017)

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/641252/PSAIS_1_April_2017.pdf

Annual Internal Audit Plan 2022-23

<https://politics.leics.gov.uk/documents/s167142/Appendix%20-%20ESPO%202022-23%20IA%20Plan%20Final.pdf>

Constitution of the ESPO Management Committee

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Appendices

Appendix - Internal Audit Service Annual Report 2022-23

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 2022 and 31 March 2023 from which the overall opinion is derived

Annex 3 - Summary - Self-assessment of conformance with PSIAS - May 2023

Annex 4 - LCCIAS QAIP with action plan - May 2023

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