



ESPO FINANCE & AUDIT SUBCOMMITTEE – 30 OCTOBER 2024

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2023-24

REPORT OF THE CONSORTIUM TREASURER

Purpose of Report

1. The purpose of this report is to provide the Finance and Audit Subcommittee (the Subcommittee) with an annual report on internal audit work conducted during 2023-24.

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 current relevant standards are the United Kingdom Public Sector Internal Audit Standards (PSIAS) which were last updated in April 2017. In line with changes to the Global Internal Audit Standards the PSIAS are being revised with an implementation scheduled 1 April 2025. Guidance on applying the PSIAS 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 the Subcommittee at its meeting on 14 February 2024) 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:
 - a. an annual internal audit opinion on the overall adequacy and effectiveness of ESPO's control environment – see Annex 1
 - b. a summary of the audit work from which the opinion is derived – Annex 2
 - c. a comparison of the work undertaken with the work that was planned, including a summary of the performance of the internal audit function – table 1 Appendix
 - d. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP) – Appendix
 - e. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement - Appendix

Internal Audit Service Annual Report 2023-24

7. The annual report for 2023-24 is attached at the Appendix.
8. 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. An overall substantial assurance rating is given that the control environment remains adequate and effective.
 - c. The majority of planned work was achieved
 - d. LCCIAS conforms to internal audit standards (the PSIAS)
 - e. The HoIAS was not aware of any significant governance issues that should have been reported in the AGS.

Resources Implications

9. The budget for the provision of the internal audit service is contained within ESPO' Medium Term Financial Strategy under charges by the Servicing Authority.
10. The planned 150 days were provided and the total charge to ESPO was £58,830.

Recommendations

11. That the Finance and Audit Subcommittee approves the Internal Audit Service annual report for 2023-24.

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

<https://democracy.leics.gov.uk/documents/s180551/Constitution%20of%20the%20ESPO%20Management%20Committee.pdf>

Accounts and Audit Regulations (Amendment) 2015

<https://www.legislation.gov.uk/uksi/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 2023-24

<https://democracy.leics.gov.uk/documents/s174919/Appendix%20-%20ESPO%20Internal%20Audit%20Plan%202023-24.pdf>

Officer to Contact

Declan Keegan, Consortium Treasurer

Declan.keegan@leics.gov.uk

0116 305 7668

Simone Hines, Assistant Director (Finance and Commissioning),

Simone.Hines@leics.gov.uk

0116 305 7066

Neil Jones, Head of Internal Audit and Assurance Service

Neil.jones@leics.gov.uk

0116 305 7629

Appendices

Appendix Internal Audit Service Annual Report 2023-24

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 2023 and 31 March 2024 from which the overall opinion is derived

This page is intentionally left blank