



ESPO FINANCE AND AUDIT SUBCOMMITTEE – 8 OCTOBER 2025

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 29 January to 22 September 2025.

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 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 shown in Appendix 1.

5. New internal audit standards apply from 1 April 2025, the Global Internal Audit Standards in the UK Public Sector. A revised Internal Audit Charter will be developed and other changes explained.

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 systems 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 taken into account in the HoIAS annual opinion.

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: -

24/25 work completed in 25/26:

<u>Status</u>	<u>Number</u>	<u>Conclusion</u>	<u>Reference</u>
Advisory Work Completed	5	N/A - Advisory	<i>Reference: 24-25 (E, H, G, M & U).</i>

Work covering two financial years	3	N/A	Reference: 24-25 (K, L & T).
Final Reports	2	2 x Substantial Assurance	Reference: 24-25 (I & J).

Actual 25/26 Year Progress:

<u>Status</u>	<u>Number</u>	<u>Opinion</u>	<u>Reference</u>
Draft Report Issued	3	Conclusion TBC	Annual Governance - Areas for further development (25/26 – B) Cyber Security (25/26 – C) Energy - Customer Billing (25/26 – N)
Consultancy work concluded	1	No instances of fraudulent activity were noted from the work undertaken	Counter Fraud - NFI specific (25/26 – E)
Work In Progress	13	Conclusion TBC	Stock Fraud Risk Assessment Emerging risks General Financial Systems (*) IT general controls (*) Rebates income Procurement Framework Agreements Business Continuity Health & Safety Reporting Loss of/Reduction in

			Business Value for Money Product Benchmarking Contingency (25/26 – D, F, H, I, J, K, L, M, O, P, Q R & S)
Not Started	1	N/A	Counter Fraud Audit (25/26 – F)

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, for example, 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 Committee notes:
- a. the progress against the 2025-26 Plan
 - b. that there are no high importance recommendations within the Committee'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 Sub Committee 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 1 Summary progress against 2025-26 audits as at 22 September 2025

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