

**ESPO FINANCE & AUDIT SUBCOMMITTEE – 11 FEBRUARY 2026****REPORT OF THE CONSORTIUM TREASURER****ANNUAL INTERNAL AUDIT PLAN 2026-27****Purpose of Report**

1. The purpose of this report is to seek approval of the ESPO Internal Audit Plan 2026-27.

**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. The Finance & Audit Subcommittee (the Subcommittee) has a delegated function to, 'receive and approve Internal Audit annual reports (annual plans, progress and annual reports, and the Internal Audit Charter), escalating high importance recommendations and significant governance concerns to the Management Committee for review'.
4. At its meeting on 30 October 2024, the Subcommittee was advised that from 1 April 2025, new Internal Audit Standards would replace the former Public Sector Internal Audit Standards. The new standards combine the Global Internal Audit Standards (GIAS) with CIPFA's 'Application Note', which essentially brings together the GIAS and specific requirements for the UK public sector. Together, they form the 'GIAS UK (public sector)'.
5. In the UK public sector, a Head of Internal Audit must prepare at the organisation level an overall conclusion encompassing governance, risk management and control at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control. In order to form the conclusion, the HoIAS creates an internal audit plan that supports the achievement of ESPO's objectives. The scope of internal audit work needs to be wide.
6. The HoIAS' conclusion helps to inform the Annual Governance Statement (a requirement under the Accounts and Audit Regulations 2015, which apply to the Member Authorities comprising ESPO).

## **Planning methodology**

7. The Director of ESPO and the Leadership Team identify and manage risk and where it is required, design, implement and operate robust internal control systems. Targeted internal audits have identified continuing improvements to governance and risk management at ESPO, so to ensure that current and emerging risks are adequately covered the audit plan is aligned with the Corporate Risk Register, the Business Strategy and Governance Reporting.
8. To further develop the scope of audit coverage, the HoIAS researches and evaluates where other/additional risk might occur to ESPO using methods including: -
  - a. Consulting on emerging risks, planned changes and potential issues with the Director and the Leadership Team and the Consortium Treasurer and Secretary.
  - b. Evaluation of governance arrangements e.g. plans, committee reports, accounts, risk register and governance statements
  - c. Identification and evaluation of the robustness of other forms of assurance received including reviewing the External Auditor's Report
  - d. Where available, comparisons against similar purchasing consortia audit plans.
  - e. 'Horizon scanning' new and emerging risks from professional and industry sources
  - f. The risks to critical 'business as usual' systems when focus shifts elsewhere
9. Part of the plan requires annual audits on key elements of the financial and IT systems.
10. Any other significant projects for example material changes to ESPO's business risks or significant ICT developments would be targeted for audit. GDPR compliance continues to be covered as part of Leicestershire County Council's audit coverage, but any findings of relevance will be reported to ESPO members. A contingency is retained for advisory work, unforeseen risks, special projects and investigations. An allocation is reserved for the HoIAS' role in governance requirements (attendance at committees, forming the annual conclusion and reports etc) and progressing any high importance recommendations.

## **The Internal Audit Plan 2026-27**

11. The plan for 2026-27 is appended to the report. It contains a wide scope of audits that should allow the HoIAS to form a conclusion on the overall adequacy and effectiveness of ESPO's control environment (its framework of governance, risk management and internal control).
12. The second column indicates which component of the control environment the audit primarily matches (there is quite often overlap).

13. The 2026-27 plan aims to give the optimum audit coverage within the resources available. Though it is compiled and presented as a plan of work, it must be stressed that it is only a statement of intent, and there is a need for flexibility to review and adjust it as necessary in response to changes in ESPO's business, risks, operations, programs, systems, and controls. The HolAS will discuss and agree any material changes with the Director of ESPO and Consortium Treasurer and Secretary and these would be reported to the relevant Committee dependent on timing.
14. Detailed Terms of Engagement covering each audit's scope, timing and any areas for exclusion are agreed with the relevant risk owners (Assistant Director) in advance of each audit.

### **Progressing the Audit Plan**

15. Responsibility for the evaluation and management of risk and the design and consistent operation of internal controls rests with ESPO management. LCCIAS' role and responsibility is to carry out independent and objective audits and give a conclusion on the extent to which risk is being managed and (where appropriate) make recommendations to improve controls.
16. On completion of each audit, findings will be discussed with the appropriate risk owner before issuing a report to the Director and the Treasurer. The conclusion reached, along with summary findings are reported each quarter to the Director and the Treasurer and will be reported more formally to the Subcommittee at its scheduled meetings, with any urgent matters in the interim periods being brought to the attention of the Management Committee.
17. If any audit produces a 'high importance' recommendation, then details would be shared with the Subcommittee and escalated to the Management Committee for review dependent on timing. Specific re-testing is undertaken later in the year to prove that control has improved and is embedded.

### **Resource Implications**

18. 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. The 2026-27 plan has been agreed on an indicative 150 days. This level of coverage should enable the HolAS to provide overall reasonable assurance to the Consortium Treasurer the risks that ESPO is facing are being managed.
19. Implementation of the GIAS UK (public sector) continues to significantly impact the resources of the HolAS and his team.

### **Conclusions**

20. The detail of the 2026-27 internal audit plan is attached as an appendix to this report. The plan has been discussed and agreed with the Consortium Treasurer, Consortium Secretary, and the Director of ESPO.

## Recommendation

21. The Subcommittee is requested to:

  - a. Approve the ESPO Internal Audit Plan 2026-27

## Equal Opportunities Implications

There are no known direct implications resulting from the internal audit plan strategy, although 'human resource' elements will be audited.

## Background Papers

## Report to ESPO Finance & Audit Subcommittee - 12 February 2025 – Annual Internal Audit Plan 2025-26 and Plans for Implementing New Internal Audit Standards

<https://democracy.leics.gov.uk/documents/s188301/Annual%20Internal%20Audit%20Plan%20202526%20-%20Plans%20for%20Implementing%20New%20Internal%20Audit%20Standards%20Report.pdf>

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## Appendices