



Date: 16/06/20
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To: Members of the ESPO Management Committee

Dear Member,

ESPO MANAGEMENT COMMITTEE

A meeting of the Management Committee will be held as a Remote Meeting on Wednesday, 24 June 2020 at 10.30 am. Members who require further information are asked to telephone or email me (details above).

Yours faithfully,

Cat Tuohy
for Consortium Secretary

AGENDA

Item

Report by

1. Appointment of Chairman.

Cllr. M. Howell has been nominated to be Chairman for the municipal year ending April 2021.

2. Appointment of Vice Chairman.

3. Minutes of the meeting held on 4 March 2020.

(Pages 3 - 8)

4. To advise of any items that the Chairman has decided to take as urgent elsewhere on the agenda.

5. Declarations of interests in respect of items on this agenda.

6. Items referred by the Finance and Audit Subcommittee.

There are no specific items referred. The issues considered by the Subcommittee are Items 7 – Internal Audit Annual Report and 11 – Draft Outturn 2019/20 and Impact of Coronavirus on Q1 2020/21 which appear elsewhere on the agenda.

7. Internal Audit Service Annual Report 2019-20. Consortium Treasurer (Pages 9 - 34)
8. Director's Progress update. Director (Pages 35 - 44)
9. Exclusion of the Press and Public.

The public are likely to be excluded during consideration of the remaining items in accordance with Section 100(A)(4) of the Local Government Act 1972 (Exempt Information).

10. Director's Supplementary Report. Director (Pages 45 - 62)
11. Draft Outturn 2019/20 and Impact of Coronavirus on Q1 2020/21. Director and Consortium Treasurer (Pages 63 - 76)
12. LGA Truck Cartel Litigation. Legal Advisor to the Consortium Secretary (Pages 77 - 80)
13. Date of Next Meeting.

The next meeting of the Committee is scheduled to take place on 16 September 2020 at 10.30am.

14. Any other items which the Chairman has decided to take as urgent.



Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield on Wednesday, 4 March 2020.

PRESENT

Mrs. S. Rawlins CC – Lincolnshire County Council (in the Chair)

Cambridgeshire County Council

Cllr. I. Bates (Virtual)
Cllr. M. Howell (Virtual)

Norfolk County Council

Cllr. M. Smith-Clare

Leicestershire County Council

Dr. K. Feltham CC
Mr. R. Shepherd CC

Peterborough City Council

Cllr. J. Holdich OBE (Virtual)

Warwickshire County Council

Cllr. P. Butlin

Lincolnshire County Council

Cllr. A. Hagues

Apologies

Apologies were received from Cllr. D. Seaton (Peterborough City Council), Cllr. P. S. Birdi (Warwickshire County Council) and Cllr. S. Clancy (Norfolk County Council).

In attendance

ESPO

Mr. K. Smith – Director
Mr. D. Godsell - Assistant Director
Mr. C. Pitt – Assistant Director
Mr. M. Selwyn-Smith – Assistant Director

Leicestershire County Council/Secretariat

Mr. J. Sinnott – Chief Executive / Consortium Secretary
Mr. D. Keegan – Assistant Director Strategic Finance and Property, on behalf of the Consortium Treasurer
Mr. M. Davies – Audit Manager
Mr. M. Seedat – Head of Democratic Services
Ms. C. Tuohy – Democratic Services Officer

42. Chairman's Announcements - Cllr. J. Holdich OBE

The Chairman reported that Cllr. J. Holdich OBE would be retiring following the elections in May 2020. John had joined the Management Committee in 2001 and had served as Chairman in 2005 and 2012.

The Chairman thanked John for his enormous contribution over the last 20 years during which he had overseen and scrutinised significant changes and made a major contribution to modernising and transforming ESPO. In particular John had been in the development of the robust ESPO brand seen today.

Members and officers echoed the Chairman's comments and wished John a long and happy retirement.

Cllr Holdich thanked officers and members for their kind words and support over the years.

43. Minutes of the meeting held on 21 November 2019.

The minutes of the meeting held on 21 November 2019 were taken as read, confirmed, and signed.

44. To advise of any items that the Chairman has decided to take as urgent elsewhere on the agenda.

The Chair advised that he had not been notified of any urgent items for consideration.

45. Declarations of interests in respect of items on this agenda.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

46. Items referred by the Finance and Audit Subcommittee.

There were no items referred by the Finance and Audit Subcommittee Members were advised that the Subcommittee had considered items 5 (Annual Internal Audit Plan, minute 47 refers) and 10 (Forecast Outturn 2019/20 and Draft MTFS 2020/24, minute 52 refers).

47. Annual Internal Audit Plan 2020-21.

The Committee received a report of the Consortium Treasurer on the Annual Internal Audit Plan 2020-21. A copy of the report marked 'Agenda Item 5', is filed with these minutes.

The Committee were informed that the 2020-21 Internal Audit plan had been agreed on an indicative resource requirement of 150 days which included flexibility in order to ensure the risks ESPO faced were being managed accordingly. The ESPO Senior Management Team met regularly with the Consortium Treasurer and the Head of Internal Audit at Leicestershire County Council to review the findings of audits and Members were assured that any high assurance recommendations would be shared with Members.

The Committee was advised that the Finance and Audit Subcommittee had considered the report at its meeting on 12 February and its recommendations are set out in the report.

RESOLVED:

That the Annual Internal Audit Plan 2020-21 be approved.

48. Director's Progress update.

The Committee considered to a report of the Director which provided an update of the actions and progress made since the previous Committee held on 21 November 2019. A copy of the report, marked 'Agenda Item 6', is filed with these minutes.

The Director updated the Committee on ESPO's planning in response to the Coronavirus and assured Members that its business continuity plans were in place and that they were working closely with Leicestershire County Council, the employer of ESPO staff.

Arising from discussion the following points were noted:

- i) Development was ongoing of a longer-term financial strategy that would be presented to the Management Committee in June to ensure ESPO continued to grow and exploit the opportunities that were presented.
- ii) ESPO had been awarded the Feefo Platinum Trusted Service award, having achieved Gold standard for three consecutive years with a customer satisfaction rating consistently over 95%. The award served as an independent seal of excellence that recognised ESPO delivered exceptional experiences to its customers.
- iii) The Director reported that the following employees had been nominated and received the following awards:-
 - Andreea Czirik, Operations and Supply Chain Analyst for Employee of the Year,
 - Jamie O'Connor, Customer Relationship Manager for Excellent Service Award,
 - Attila Brezsa, Warehouse Operative and Haleema Patel, Marketing Officer, for the People's Champion Award.
- iv) ESPO was undertaking a review of the structure of the Leadership Team and its senior managers to ensure it was appropriately resourced to meet future demands and changing markets.
- v) Arrangements were being made to celebrate ESPO's 40-year anniversary.

RESOLVED:

That the report be noted and that the Committee's appreciation be conveyed to the employees who had received awards.

49. Date of Next Meeting.

RESOLVED:

It was noted that the next meeting of the Committee would be held on 24 June as an Attended Meeting at County Hall.

50. Exclusion of the Press and Public.

RESOLVED:

That under Section 100 (A) (iv) of the Local Government Act 1972 the public be excluded from the meeting for the remaining items of business on the grounds that it will involve the disclosure of exempt information as defined in the Act and that in all of the circumstances the public interest in maintaining the exception outweighs the public interest in disclosing the information.

51. Supplementary Information Informing the Progress Report of the Director's Progress Update.

The Committee received an exempt report from the Director which set out further supplementary information regarding the Director's Progress Update. A copy of the exempt report, marked 'Agenda Item 8', is filed with these minutes.

The exempt report was not for publication as it contained information relating to the financial business affairs of a particular person (including the authority holding that information).

The Director reported that the Website Project remained on track and would be demonstrated at a future Management Committee meeting.

RESOLVED:

That the report and supplementary information now provided be noted.

52. Forecast Outturn 2019/20 and Draft MTFS 2020/21 - 2023/24.

The Committee considered an exempt joint report of the Director and Consortium Treasurer concerning the forecast outturn for 2019/20 and the Medium Term Financial Strategy 2020 - 2024. A copy of the report, marked 'Agenda Item 10', is filed with these minutes.

The exempt report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information).

The Director responded to Members' questions, agreeing that ESPO needed to invest to respond to a rapidly changing and competitive market.

Members noted that, following exceptional investment returns by the Leicestershire Pension Fund, ESPO's deficit would be paid down within 15 years. This approach had been recommended by the Actuary to ensure there was less pressure on employer contributions over time.

The Committee was advised that the Finance and Audit Subcommittee had considered the report at its meeting on 12 February.

RESOLVED

That the recommendations of the Finance and Audit Subcommittee in respect of:

- a) the Medium Term Financial Strategy, incorporating the recommended revenue budget for 2020/21 as set out in paragraph 32;
- b) the projected provisional revenue budgets for 2021/22, 2022/23 and 2023/24 set out in paragraph 36;

- c) the level of reserves and the use of earmarked funds as set out in paragraph 66;
- d) the 2020/21 capital programme as set out in paragraph 64;

be approved.

53. Streamlining ETL Governance Arrangements.

The Committee considered an exempt joint report of the Director and Consortium Secretary, the purpose of which was to set out arrangements to streamline ESPO Trading Limited's Governance Arrangements. A copy of the report. Marked 'Agenda Item 11', is filed with these minutes.

The exempt report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information).

RESOLVED:

That the Management Committee having considered the legal advice from Anthony Collins as set out in the Appendix to this Report approve the proposals in the report in order to:-

- a) Streamline the governance arrangements of ETL and the wider flow of information concerning ETL's business to the Management Committee.
- b) Provide the Management Committee with ETL's financial and business information to inform them of ETL's contribution to the wider ESPO business objectives.

10.30-12.10

CHAIRMAN

04 March 2020

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ESPO MANAGEMENT COMMITTEE – 24 JUNE 2020

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2019-20

REPORT OF THE CONSORTIUM TREASURER

Purpose of Report

1. To provide the Management Committee (the Committee) with an annual report on internal audit work conducted during 2019-20.

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 the draft Annual Governance Statement (AGS) which will be reported to Management Committee at its meeting scheduled 16 September 2020.
6. However, whilst the Subcommittee received and noted the annual report at its meeting on 20 May 2020, it does not have any decision-

making authority, and so the HoIAS' annual report has to be approved by Management Committee.

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 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)
 - e. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement

Internal Audit Service Annual Report 2019-20

8. At the meeting of the Finance & Audit Subcommittee on 20 May 2020, Members requested the HoIAS to: -
 - a. provide information on the individual audit assurance ratings – these are now contained in Annex 2
 - b. expand on the rationale for the overall opinion

Individual audit engagements provide targeted micro-assurance. The overall opinion is different; it is macro-assurance over a defined period (a financial year). This requires the HoIAS to bring these assurance threads together using themes, trends, evidence and professional judgement to provide holistic, strategic insight into the organisation. Following the Subcommittee meeting, the HoIAS referred to October 2019 guidance from the Institute of Internal Auditors, which acknowledges that currently there are no criteria guides for Heads of Internal Audit that would enable standardisation between organisations. Each Head is free to define the criteria and language for their own audit opinion. The Institute is working to progress a solution.

Nevertheless, the guidance offers an example. The HoIAS has reconsidered the 'reasonable' assurance opinion reported to the Subcommittee. He considers that the guidance definition of 'substantial' assurance better fits ESPO's position namely: -

There is a sound framework of control operating effectively to mitigate key risks, which is contributing to the achievement of business objectives.

Backed up by: -

- *no individual audit engagement classed as limited or no assurance*
- *occasional medium risk rated weaknesses identified in individual audit engagements*
- *internal audit has confidence in managements attitude to resolving identified issues.*

9. The annual report for 2019-20 is provided in the **Appendix**. The report includes the amended HoIAS opinion.

Prior to the onset of the coronavirus, ESPO's control environment was in a steady state. The build-up and immediate impact of the virus was significant, adverse in nature and unique in character. However, no significant governance, risk management internal control failings have come to the HoIAS' attention therefore substantial assurance is given that ESPO's control environment overall has remained adequate and effective.

The opinion will also be contained in the draft AGS.

10. **Annex 1** provides detail on how the annual internal audit opinion was formed, defines types of audits, assurance ratings, the components of the control environment and what it is designed to achieve and provides a caveat on any opinion reached.
11. **Annex 2** lists the audits undertaken during the year. For assurance audits the individual audit opinion is given.
12. **Annex 3** shows the HoIAS April 2020 self-assessment of conformance to the PSIAS.
13. The HoIAS has chosen not to review Quality Assurance & Improvement Programme (QAIP) until the Service is re-imagined as part of developing its 'new normal' state.
14. Headlines from the report are: -
 - a. Despite the impact of the coronavirus late in the financial year, the HoIAS considered ESPO's control environment remained adequate and effective
 - b. All assurance audits conducted returned substantial assurance ratings.
 - c. Most work was completed by the date of this report, with a relatively small carry over
 - d. The HoIAS self-assessed that LCCIAS continues to generally conform to the PSIAS.

Resources Implications

15. The budget for the provision of the internal audit service is contained within ESPO' Medium Term Financial Strategy under charges by the Servicing Authority.
16. 170 of the planned 175 days was achieved. The total charge to ESPO was £51,625.

Recommendations

That the Management Committee approves the Internal Audit Service annual report for 2019-20.

Equal Opportunities Implications

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 2019-20
Report to Finance & Audit Subcommittee 20 May 2020

Officer to Contact

Neil Jones
Head of Internal Audit & Assurance Service

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Appendices

- | | |
|----------|---|
| Appendix | Internal Audit Service Annual Report 2019-20 |
| 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 1 April 2019 to 15 June 2020 from which the overall opinion is derived |
| Annex 3 | Summary self-assessment of conformance to PSIAS (May 2020) |

ESPO**Leicestershire County Council
Internal Audit Service
Annual Report 2019-20**

**Neil Jones CPFA, Head of Internal Audit Service,
Leicestershire County Council**

15 June 2020

ESPO
LEICESTERSHIRE COUNTY COUNCIL INTERNAL AUDIT SERVICE
ANNUAL REPORT 2019-20

Background

1. A common set of Public Sector Internal Audit Standards (PSIAS) was adopted in April 2013 and revised in April 2017. The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF) as follows: -
 - i. The Mission of Internal Audit
 - ii. Definition of Internal Auditing
 - iii. Core Principles for the Professional Practice of Internal Auditing
 - iv. Code of Ethics
 - v. International Standards for the Professional Practice of Internal Auditing
2. Additional requirements and interpretations for the local government sector have been inserted into the PSIAS and all principal local authorities (Joint Committees included) must make provision for internal audit in accordance with the PSIAS.
3. The objectives of the PSIAS are to: -
 - a. define the nature of internal auditing within the UK public sector
 - b. set principles for carrying out internal audit in the UK public sector
 - c. establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations
 - d. establish the basis for the evaluation of internal audit performance and to drive improvement planning
4. The PSIAS require the Head of Internal Audit Service (HoIAS) to provide an annual report to 'the Board' (the Finance & Audit Subcommittee) timed to support the Annual Governance Statement (AGS). Management Committee approves the annual report.
5. The PSIAS state that the annual report must include:
 - a. an annual internal audit opinion on the overall adequacy and effectiveness of ESPO's governance, risk and control framework (i.e. the control environment) and disclosure of any qualifications to the opinion, together with the reasons for the qualification
 - b. a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies) and disclosure of any impairments or restriction in scope
 - 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 against its performance measures and targets

- d. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP) and progress against any improvement plans resulting from a QAIP external assessment
- e. any issues the HoIAS judges particularly relevant to the preparation of the Annual Governance Statement

The Annual Internal Audit Opinion on the Adequacy and Effectiveness of ESPO's Control Environment

- 6. Annex 1 provides detail on how the annual internal audit opinion was formed, defines the types of audits undertaken, assurance ratings, the components of the control environment and what it is designed to achieve and provides a caveat on any opinion reached.
- 7. Due to the fast escalating impact of the coronavirus, starting in March ESPO management very quickly designed and installed alternative ways of working with its financial and ICT systems which could have internal control and risk implications for the overall control environment. LCCIAS will continue to review the arrangements to ensure the alternative methods retain robust controls.
- 8. Based on an objective assessment of the results of individual audits undertaken, actions by management thereafter, and the professional judgement of the HoIAS in evaluating other related activities, the following overall opinion has been reached: -

Prior to the onset of the coronavirus, ESPO's control environment was in a steady state. The build-up and immediate impact of the virus was significant, adverse in nature and unique in character. However, no significant governance, risk management internal control failings have come to the HoIAS' attention therefore substantial assurance is given that ESPO's control environment overall has remained adequate and effective.

A summary of the audit work from which the opinion is derived

- 9. Annex 2 lists the audits undertaken during the year in the respective control environment components (governance, risk management and internal control). The list also contains the individual audit opinion. There were not any high importance recommendations in 2019-20 audits. Summary outcomes and recommendations have been reported throughout the year in the HoIAS' quarterly reports on progress against the annual internal audit plan.
- 10. Nine 'assurance' type (see definitions) audits were undertaken. Based on the answers provided during the audits and the testing undertaken, they each returned a 'substantial assurance' rating, meaning the internal controls in place to reduce exposure to risks currently material to the system's objectives were adequate and were being managed effectively. Although recommendation(s) to bring about improvements were made, they were not significant. Whilst two remained in draft report form at the time of this

statement, the HoIAS does not envisage management will dispute their likely substantial assurance opinions

11. A further two audits remain work in progress at the time of this statement, two of which will be substantial assurance. The remaining two were not able to be concluded due to the impact of covid-19 on workplaces.
12. Five audits returning 'no opinion' were 'consulting' type audits (see definitions).
13. During 2019-20, the outputs from ESPO voluntarily submitting its payroll and creditors data into the 'National Fraud Initiative' (a nationwide counter-fraud data-matching exercise) were examined. Work concluded that no instances of fraudulent activity were noted from the work undertaken and investigations made.
14. Other than the External Auditor, there was no reliance on other assurance providers during the year.
15. Other than since the 23 March 2020 when the Government enforced lockdown because of covid-19, there were no known impairments or restrictions to internal audit's scope.

A comparison of work undertaken with work planned including a summary of the performance of the internal audit function

16. The table below shows planned against actual performance both in terms of number of audits (completed to draft issued stage) and days allocated.

Table 1 : Overall performance against 2019-20 internal audit plan

	<u>Audits</u>	<u>Complete @ 15/6</u>	<u>Incomplete @ 15/6</u>	<u>Cancelled</u>	<u>Days</u>
Close 18-19	3	3	-	-	15
Follow up HI recs	-	-	-	-	-
Planned	17	14	2	1	130
Unplanned	-	-	-	-	-
Client management	-	-	-	-	25
Total	20	17	2	1	170

17. Some resource has already been utilised in 2020-21 completing 2019-20 audits.

A statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP)

18. The HoIAS has undertaken a short desk-top self-assessment of LCCIAS's conformance to the PSIAS see **Annex 3**. In line with PSIAS Standard 1321, the HoIAS considers that the County Council's internal audit activity generally conforms with the International Standards for the Professional Practice of Internal Auditing.

19. The HoIAS has not reviewed the service's Quality Assurance and Improvement Programme (QAIP) since it will need to be evaluated in terms of any re-direction during recovery planning for the Service.

Any issues the HoIAS judges particularly relevant to the preparation of the Annual Governance Statement (AGS)

20. The HoIAS considers ESPO's actions and future plans and potential impacts caused by the ongoing coronavirus pandemic will need to be considered during the preparation of the AGS.
21. A 'governance group' comprising the Director of ESPO, Assistant Director (Finance) of ESPO; the Consortium Treasurer, the Consortium Secretary, the Council's Democratic Services Officer and the HoIAS will review the draft AGS before it is presented to Management Committee in September.

Neil Jones CPFA
Head of Internal Audit Service
LCCIAS

15 June 2020

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**The Head of Internal Audit Service's Annual Opinion
on the overall adequacy and effectiveness
of ESPO's control environment
2019-20**

**Neil Jones CPFA, Head of Internal Audit Service,
Leicestershire County Council**

15 June 2020

Background

During the financial year 2019-20, Leicestershire County Council Internal Audit Service (LCCIAS) provided internal audit activity to the Eastern Shires Purchasing Organisation (ESPO). LCCIAS conforms to the Public Sector Internal Audit Standards (the PSIAS) revised with effect from April 2017. The PSIAS require the Head of Internal Audit Service (HoIAS) to give an annual opinion on the overall adequacy and effectiveness of ESPO's control environment i.e. its framework of governance, risk management and control. The PSIAS definitions of the types of audits undertaken and of the control environment are to be found at the end of this document, along with further explanation from the Institute of Internal Auditors about what an effective system of internal control facilitates.

The HoIAS annual opinion is for a specific time interval i.e. 2019-20 and combines: -

- an objective assessment based on the results of individual audits undertaken and actions taken by management thereafter. Individual audit opinions on what level of assurance can be given as to whether risk is being identified and adequately managed, are formed by applying systematic grading to remove any elements of subjectivity. An explanation of the ratings applied is also to be found in the definitions at the end of this document. The results of audits undertaken during 2019-20 are reported in **Annex 2**
- the professional judgement of the HoIAS based on his evaluation of other related activities e.g. attendance at Committees.
- Specifically for 2019-20, the HoIAS' views on ESPO management's responses to the coronavirus during the months of February and March 2020.

The results of the above, when combined, form the basis for the overall opinion on ESPO's control environment. Individual audits are assigned a rating because it is possible to gather and test evidence for a specific audit topic. The overall opinion reflects that it isn't possible to provide audit coverage over all systems and processes. The caveat at the very end of this document explains what internal control cannot do. i.e., no system of internal control can provide absolute assurance against material misstatement or loss, nor can LCCIAS give absolute assurance, especially given its limited resource. The work of LCCIAS is intended only to provide assurance on the adequacy of the control environment based on the work undertaken and known facts.

Governance related internal audit work

An opinion on whether good governance principles have been applied is based on the results of an audit of Annual Governance Statement compilation and observation of the project governance arrangements for the new website development.

The HoIAS and the designated Audit Manager attend the Finance and Audit Subcommittee and appropriate Management Committee meetings to present audit plans and reports, which enables him to gauge ESPO Member governance at first hand.

The HoIAS and the Audit Manager have regular discussions with the ESPO Director and the Leadership Team, the Consortium Treasurer, and where required the Consortium Secretary, on governance issues and related aspects of audits.

The HoIAS is part of a group comprising the ESPO Director, the Assistant Director Finance, the Consortium Treasurer, and Consortium Secretary which review the content of the draft Annual Governance Statement.

Risk management related internal audit work

Most audits planned and conducted were 'risk based' i.e. ensuring that ESPO management identifies, evaluates and manages risk to achieving its objectives i.e. ensuring controls are in place to reduce risk exposure.

Audits of the limited company risk evaluation, counter fraud, supply chain management, business growth, IT developments and health and safety, returned positive assurances.

The HoIAS monitors members engagement with ESPO's risk registers through Management Committee meetings.

Financial (and ICT) Controls related internal audit work

Several financial system audits were undertaken including those of ESPO's IT and general financial systems controls, Supply Chain and Operations Productivity Plan and the catalogue pricing routine. Findings did not suggest any fundamental weakness.

For the National Fraud Initiative exercise no instances of fraudulent activity were noted.

Two financial controls related audits (rebates income and servicing authority responsibilities) could not be completed because they would have required site visits and this was not possible with the immediate impact on workplaces of the covid-19 virus and as such opinions on the audits haven't been reached.

Planning for and managing the impact of the coronavirus

It is the HoIAS' opinion that the Director of ESPO demonstrated good governance and risk management when he first outlined plans for identifying risks and managing the impact of the coronavirus to Management Committee on 4 March 2020 and added a risk to the ESPO Corporate Risk Register. There were further updates informing Management Committee of plans and actions towards the end of March. However, the speed of escalation and lockdown instructions required ESPO management to very quickly design and install alternative ways of working with its financial and ICT systems which could have internal control and risk implications for the overall control environment. These were reported in summary to Chief Officers Group on 29 April. We will review the arrangements to ensure alternative methods retain robust controls.

Planning for and responding to the virus crisis, planning recovery, lessons learned, and future impacts are likely to be reflected in the Annual Governance Statement.

HolIAS opinion

Prior to the onset of the coronavirus, ESPO's control environment was in a steady state. The build-up and immediate impact of the virus was significant, adverse in nature and unique in character. However, no significant governance, risk management internal control failings have come to the HoIAS' attention therefore substantial assurance is given that ESPO's control environment overall has remained adequate and effective.

15th June 2020

Neil Jones CPFA, Head of Internal Audit Service, Leicestershire County Council

Definitions

The revised 2017 Public Sector Internal Audit Standards (the PSIAS) define the following: -

Assurance audit

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.

Assurance audits have four gradings: -

Outcome of the audit

Assurance rating

No (or only a few minor) recommendations

Full assurance

A number of recommendations made but none considered to have sufficient significance to be denoted as **HI** (high importance)

Substantial assurance

Includes at least one **HI** recommendation, denoting that (based upon a combination of probability and impact) a significant weakness either exists or potentially could arise and therefore the system's objectives are seriously compromised. Management should quickly address **HI** recommendations and implement an agreed action plan without delay.

Partial assurance

Alternatively, whilst individually none of the recommendations scored a HI rating, collectively they indicate that the level of risk to is sufficient to emphasise that prompt management action is required.

The number and content of the **HI** recommendations made are sufficient to seriously undermine any confidence in the controls that are currently operating.

Little or no assurance

Consulting audit

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment

The attitude and actions of the board and management regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control.

The control environment includes the following elements: -

- Integrity and ethical values
- Management's philosophy and operating style
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

The Institute of Internal Auditors further explains that the control environment is the foundation on which an effective system of internal control is built and operated in an organisation that strives to achieve its strategic objectives, provide reliable financial reporting to internal and external stakeholders, operate its business efficiently and effectively, comply with all applicable laws and regulations, and safeguard its assets.

Caveat

The Financial Reporting Council in an Auditing Practices Board briefing paper, 'Providing Assurance on the Effectiveness of Internal Control' explains what internal control cannot do, namely: -

'A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees or others, management overriding controls and the occurrence of unforeseen circumstances. A sound system of internal control therefore provides reasonable, but not absolute assurance that an organisation will not be hindered in achieving its objectives, or in the orderly and legitimate conduct of its business, by circumstances which may reasonably be foreseen. A system of internal control cannot, however, provide protection with certainty against an organisation failing to meet its objectives, or all material errors, losses, fraud or breaches of laws and regulations'.

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Summary of work undertaken supporting the HoIAS opinion 2019-20

<u>Ref¹</u>	<u>Type²</u>	<u>Audit title</u>	<u>Assurance objective</u>	<u>Position @ 15th June 2020</u>
20-01	N/A	Complete 2018-2019 Audits	N/A	Limited Company – Completed Advisory People Management – Complete Advisory Business Growth – Covered within Job 20-11
20-02	GO	Annual Governance Statement	Management self-assessments of assurance in the 2018-19 AGS were founded and conformance to the CIPFA framework is planned and demonstrated	Final report issued – Substantial assurance
20-03	RM	Limited Company	Key Risks to consortium members are effectively identified, communicated and managed	Completed for 19/20. On-going work will continue into 20/21
20-04	IC	Catalogue Pricing and Production	Adequate governance arrangements are in place to ensure pricing and subsequent production of ESPO catalogues adheres to deadlines	Final report issued – Substantial Assurance
20-05	RM	Health & Safety	Adequate h&s governance arrangement are in place to mitigate potential claims and fines	Final report issued – Substantial Assurance
20-07	RM	Counter Fraud - NFI Specific	Results are correctly interpreted and investigated	Consultancy complete
20-08	RM	Counter Fraud – Fit Notes	To authenticate the validity of fit notes issued (sample counter fraud area chosen)	Final report issued – Substantial Assurance Work was delayed pending completion of a Data Protection Impact Assessment.

Ref ¹	Type ²	Audit title	Assurance objective	Position @ 15th June 2020
20-09	RM	Supply Chain Management – Strategic Cost Control	Initiatives to achieve cost savings in ESPO's operations and supply chain area are adequately managed to ensure that defined benefits are realised (covers outsourcing, annualised hours and staff reduction).	Draft report issued – Substantial Assurance
20-10	GO/ RM	Website Development	Key Risks and issues are effectively identified and managed	Completed for 19/20 - Consultancy – two focusses: Governance & Risk Management – through Project Board Membership & Operational Controls/Risks/Issues through ICT Auditor coverage
20-11	RM	Business Growth – Commercial Initiatives	Areas of commercial direction to achieve MTFS targets are adequately managed (to address relevant area(s) from the ten commercial initiatives that have been previously defined	Draft report issued – Substantial Assurance
20-12	RM	IT Developments	Key Risks and issues are effectively identified and managed	Completed for 19/20 - Consultancy
20-13	IC	Supply Chain & Ops Productivity Plan	Areas of the plan due to materialise in 19/20 are implemented in a timely manner	Final report issued – Substantial Assurance
20-14	IC	General Financial Systems ³	Reconciliations and processes are undertaken to facilitate the accuracy and completeness of the general ledger and any control weaknesses previously identified have been appropriately addressed.	Final Report Issued – Substantial Assurance
20-15	IC	IT General Controls ³	The range of controls expected by the External Auditor are well designed and consistently applied.	Final Report Issued – Substantial Assurance

Ref ¹	Type ²	Audit title	Assurance objective	Position @ 15th June 2020
20-16	IC	Rebates Income	Annual audit to evaluate whether rebates received conform to estimates of supplier business generated - focus will be on site visits.	Completed for 19/20 – Customer visits deferred into 20/21 due to COVID-19 site access issues.

Audits in progress

Ref ¹	Type ²	<u>Audit title</u>	<u>Assurance objective</u>	<u>Position @ 15th June 2020</u>
20-17	IC	Managed services for temporary agency resources	Contractual requirements of Mstar3 are adhered to by the Managed Service Providers (MSP's) - to incorporate site visits to MSP's	Work in progress – Provider focussed areas of testing deferred into 20/21 due to COVID-19 customer access issues.
20-18	IC	Servicing Authority	Key Performance Indicators for services provided by the Servicing Authority are adhered to	Testing nearing completion – delayed due to selected business area (Health & Safety) both at Leicestershire County Council and ESPO being focussed on COVID-19 related work

Cancelled Jobs

Ref ¹	Type ²	<u>Audit title</u>	<u>Assurance objective</u>	<u>Position @ 15th June 2020</u>
20-06	RM	Business Growth	Risk is managed in any further acquisitions	No further acquisitions (time used for more in-depth coverage of Website Development)

¹ reference numbers based on the financial year in question (i.e. '20' relates to 2019-20), in the sequence of the approved internal audit plan

² the three elements of the control environment (governance, risk management and internal control)

³ traditionally audits where the external auditor uses internal audit work to assist with its risk assessment for the annual audit

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Requirement	GC	PC	DNC	Notes supporting assessment at 29th May 2020
Mission of internal audit	Y			
Definition of Internal Auditing	Y			
Core Principles	Y			QAIP records the need to better demonstrate quality and continuous improvement
Code of Ethics	Y			Review of self-assessments to be undertaken to reflect remote working practices developed under covid-19
1000 Purpose, Authority and Responsibility	Y			All Charters will need to be reviewed in terms of access to records, building and staff and build in remote auditing protocols
1100 Independence and Objectivity	Y			
1110 Organisational Independence	Y			6 auditors have been re-deployed so there will need to be safeguards built in to ensure they do not audit areas they have been involved in
1111 Direct Interaction with the Board	Y			
1120 Individual Objectivity	Y			
1130 Impairment to Independence or Objectivity	Y			
1200 Proficiency and Due Professional Care	Y			
1210 Proficiency	Y			ICT audit resource is being trained up internally
1220 Due Professional Care	Y			
1230 Continuing Professional Development	Y			
1300 Quality Assurance and Improvement Programme	Y			Designed & implemented but needs updates on actions
1310 Requirements of the Quality Assurance and Improvement	Y			

Programme				
1311 Internal Assessments	Y			
1312 External Assessments	Y			EQA was completed in April 2018 'generally conforms'.
1320 Reporting on the Quality Assurance and Improvement Programme	Y			Needs to be re-imagined in terms of new normal
1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'	Y			
1322 Disclosure of Non-conformance	Y			
4 Performance Standards	Y			
2000 Managing the Internal Audit Activity	Y			
2010 Planning	Y			Planning for 2020-21 has been disrupted by the coronavirus. Investigating alternative planning approaches.
2020 Communication and Approval	Y			
2030 Resource Management	Y			Openly reported resource issues and plans during year
2040 Policies and Procedures	Y			Audit manual needs updating to incorporate remote working procedures
2050 Coordination	Y			
2060 Reporting to Senior Management and the Board	Y			
2070 External Service Provider and Organisational Responsibility for Internal Auditing	Y			I always inform City and Fire

2100 Nature of Work	Y			
2110 Governance	Y			
2120 Risk Management	Y			
2130 Control	Y			
2200 Engagement Planning	Y			
2210 Engagement Objectives	Y			Need a further understanding of Value for money criteria
2220 Engagement Scope	Y			Need a further understanding of significant consulting opportunities requirements especially in light of the change to 'quick response' audits
2240 Engagement Work Programme	Y			
2300 Performing the Engagement	Y			Adopting IIA principles and guidance on remote working
2310 Identifying Information	Y			
2320 Analysis and Evaluation	Y			Training on data analytics quarter 1 – should see more rollout
2330 Documenting Information	Y			
2340 Engagement Supervision	Y			
2400 Communicating Results	Y			
2410 Criteria for Communicating	Y			
2420 Quality of Communications	Y			
2421 Errors and Omissions	Y			

2430 Use of ‘Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing’	Y			
2431 Engagement Disclosure of Non-conformance	Y			
2440 Disseminating Results	Y			
2450 Overall Opinion	Y			
2500 Monitoring Progress	Y			
2600 Communicating the Acceptance of Risks	Y			

Explanations of ‘conformance’

GC – “Generally Conforms” means the assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual *Standard* or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformity to the others, within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, “successful practice,” etc.

PC – “Partially Conforms” means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the individual *Standard* or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.

DNC – “Does Not Conform” means the evaluator has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual *Standard* or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity’s effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board.

Head of Internal Audit Service
Leicestershire County Council
26th April 2019

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MANAGEMENT COMMITTEE – 24 JUNE 2020**PROGRESS UPDATE****REPORT OF THE DIRECTOR****Purpose of the Briefing Note**

1. The purpose of this update is to inform Management Committee of the actions and progress made since the last Management Committee meeting held on 4 March 2020.

Overall Financial Performance

2. The overall financial performance is reported under a separate paper covering the outturn for 2019-20 and the new forecast for 2020-21.

ESPO Operational Progress

3. In April ESPO was operating against the backdrop of Covid-19. This saw the introduction of new working arrangements. The majority of office-based staff were required to work from home with the exception of certain customer service personnel and operational staff. The picture on school openings was sketchy with some being closed and others operating on a limited basis for the children of key workers. Other public sector customers, which ESPO defines as 'corporate', were similarly affected but there was constant demand from those customers who remained open for cleaning equipment and PPE. This included the Emergency Services, The Armed Forces, NHS and Local Government amongst others.
4. ESPO's distribution centre was operating under a new safe system of work regime which required social distancing from staff. We also introduced a rotating shift arrangement across the three shift 24hr a day coverage over a five-day period but staffed with the minimum of staff required to meet current demand. The warehouse introduced zonal picking to keep picking staff in specific areas and away from each other. The transport operational protocol was also adapted to meet the new safe systems of work which, for example, meant that customers were not required to sign the delivery note. Further details of the adapted work routine due to Covid-19 are shown in the Health and Safety report later in this report.
5. As part of a national initiative to assist in the Shielding of Vulnerable People, ESPO were nominated as the Food Hub for Leicestershire. Working in conjunction with the local RPG we received a bulk delivery of ambient foodstuffs on Saturday 29/03/20 and emergency food parcels were put

together from these with the first customers receiving deliveries from 3 April. Emergency food packages continue to be despatched from ESPO with foodstuffs from suppliers having been twice replenished.

6. As part of a further national initiative which is being coordinated by HM military planners in conjunction with the RPG ESPO is holding government emergency PPE for onward distribution to various settings including care homes and residential schools, these items are being processed on a free issue basis for collection or delivery on a daily basis to those in need. Donations are also being made to increase available PPE these are segregated upon receipt from the main stock until inspected by trading standards and declared fit for use.
7. The distribution centre processed £767k of customer orders in April and the transport fleet with couriers made 4,290 customer deliveries. Warehouse picking was performed at a rate of 10 lines per hour, which is a reflection of the reduced throughput activity. The error rate detected by QA was 0% which is below the target of 3%.
8. The customer services team processed 4,732 customer orders valued at £0.884m. Direct orders currently valued at £788k are being managed from suppliers to customers. Across customer services, directs and catalogue admin the teams handled 2,960 telephone calls with an average waiting time of two seconds and a 5% abandon rate. ESPO's FEEFO customer service rating was 90%.
9. As part of ESPO's recent membership to the Institute of Customer Service, in March ESPO launched both an internal and external customer satisfaction survey. The survey asked a comprehensive series of questions to gain an in depth understanding of our customers and staff views of our current service provision alongside any expected service improvements. On the whole the survey showed that ESPO's customers highly value the service that they receive. The scores place ESPO above its peer group on most of the survey's service criterion. Customers were also invited to suggest a single improvement that they would wish to see. These responses together with the individual subject area scores are being disseminated by the customer experience team and following discussion with the leadership team they will form the basis of future business improvements. This transformation plan and the subsequent changes will support our journey towards accreditation by the Institute.
10. Ongoing customer experience improvements plans are in place with a number of workshops being held with key stakeholders and staff across the business to transform our processes and customer experience. The recently established Customer Experience Improvement Group continues to enable

and drive through the changes required. Our staff are involved in identifying and looking at solutions for service improvements through the implementation of a staff improvement log. A number of telephony improvements have been identified, including ESPO's front end voice messaging. ESPO Leadership team have decided to engage with a supplier to develop a series of ESPO branded waiting and promotional messages, with the aim to reduce dropout rates during call holding periods and promote our services and promotional activity.

11. The stock optimisation team-maintained product availability at 98.71% with 129 lines out of 9,871 temporarily unavailable; stock value was £8.475m with a stock turn of 5.02. This was impacted by the sudden downturn in sales in April. Investment in stock was planned as part of the peak trading plan, and subsequently by a decision to increase stocks of cleaning materials and PPE in anticipation of extra demand from schools and wider public sector. ESPO continues to rely on external storage to manage its stock holding requirements. This includes exercise book stock held at KCS in Maidstone, at the port of Felixstowe and by its printer in Poland. A long-term strategic solution to address this space requirement is currently being developed as part of a longer-term financial plan and this shall be presented to Management Committee in September.
12. Facilities management in April comprised of preparing the site for operating under Covid-19 safe systems of work. This comprised scheduled legionella testing and training on legionella awareness for the facilities team; the integration of lifts and heating systems with the fire alarm system; emergency light inspection; servicing of a/c units in the server room and servicing of the sprinkler system. Partitioning for a new office in customer services was installed and servicing of all internal doors. Statutory lifting equipment checks by Allianz, Servicing of the Uninterrupted Power Supply, the scheduled generator service, servicing and repair on the warehouse conveyor, Signage improvements throughout the site,
13. There were no reported accidents in April. Support was given to the communications team in respect of advice to staff on the potential dangers from the Coronavirus and the best practice guidelines. LCC internal audit conducted forthcoming in due course. Full details of the actions taken to make the site Covid-19 prepared are shown in the Health & Safety section of the supplementary report.
14. The portfolio of ESPO's 2020/21 catalogues was thankfully printed by YM Group prior to the lock-down and made ready for onward distribution to customers. This comprises a total of 47,000 primary and secondary; 25,000 Early Years; 10,000 Eduzone, and 7,000 Corporate. Deliveries will start to be made by ESPO and third-party transport to customers from week commencing 9th March. Over 1,000 new stock lines including science, sport

and outdoor activity have been added together with 4,000 new direct lines. This is aimed at supplementing our categories in the secondary school sector. The catalogues will include the new ESPO SmartBuy branding.

Staffing

15. Due to the reduced demand from schools related to the Covid-19 pandemic, a decision was made under delegated authority by the ESPO Consortium Secretary to furlough 93 members of staff, under the national Government scheme. This largely included staff who are based in our operational functions (i.e. warehouse and delivery drivers) with the addition of some support roles from areas such as our Sales & Marketing teams. This move ensured that individual jobs were protected and it also provided ESPO with the opportunity for these members of staff to now be reintroduced as demand starts to increase again. This flexibility in our workforce has been vital in ensuring that our services can successfully continue to function.
16. Sickness absence has continued to be well managed and our overall levels have significantly decreased again. The reductions evidenced over the last 12 months are still being seen every month, and this provides great confidence that sickness absence is being well managed within ESPO. Managers remain fully embedded with our approach and they continue to work with HR to implement appropriate support plans to help individuals return to work in a timely manner.
17. The completion rates for our mandatory training courses have maintained their high levels, despite our current inability to deliver face to face training to staff. Online training for those staff who have IT access has helped to ensure that staff have the necessary skills and knowledge to undertake their roles successfully is key for our service delivery.
18. Regular interaction with managers has occurred remotely through manager forums, Heads of Service Meetings, Team Meetings and regular all staff briefings. A Managers Charter has also been introduced which sets out the expectations for how we will manage staff who are either working from home or socially distanced. This reiterates the need for regular communication and provides a focus on staff wellbeing and engagement. This clarity over how a manager can support their team is vital at the current time for all of our employees.
19. ESPO leadership's senior team has been through review as a result of the announcement of the retirement of a member of the team. It will now consist of three Assistant Directors covering Operations, Procurement and Development & Growth supported by senior finance and HR representatives.

ESPO Risk and Governance Update

Health, Safety, Wellbeing and Facilities Management & Corporate Risk Register

20. The ESPO Leadership Team held its quarterly review of Health, Safety and Wellbeing and Major Risk Records (MRRs) and the top risks are attached at Appendix 2.

Resources Implications

None arising directly from this report.

Recommendation

Members are asked to note and support the contents of this report, including the action taken to furlough staff by the Consortium Secretary.

Officer to Contact

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Appendices

Appendix 1: Balanced Scorecard
Appendix 2: CRR extract

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Management Summary Apr 20

Management Summary

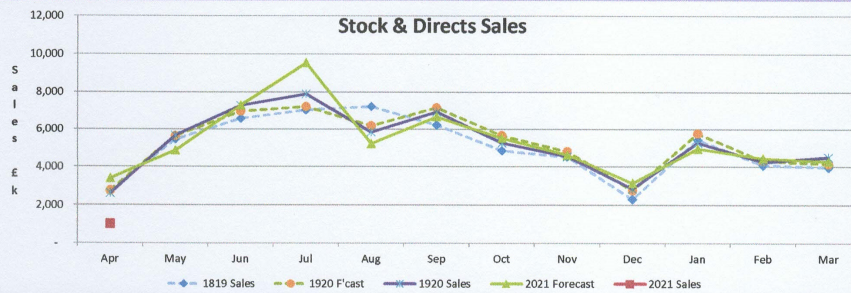
	Actual	Budget /LY	Var	YTD Actual	Budget YTD	YTD Var
Stores Sales	£760,320	£2,295,512	↓ -66.9%	£760,320	£2,295,512	↓ -66.9%
Direct Sales	£250,572	£1,088,973	↓ -77.0%	£250,572	£1,088,973	↓ -77.0%
Rebate plus fee income	£682,265	£455,198	↑ 49.9%	£682,265	£455,198	↑ 49.9%
Total Sales (Exc Gas)	£2,145,089	£4,312,330	↓ -50.3%	£2,145,089	£4,312,330	↓ -50.3%
Stores Margin %	29.74%	30.00%	↓ -0.26pp	29.74%	30.00%	↓ -0.26pp
Directs Margin %	6.52%	12.93%	↓ -6.41pp	6.52%	12.93%	↓ -6.41pp
Total Gross Margin inc Consumables Cost	£1,412,095	£1,788,160	↓ -21.0%	£1,412,095	£1,788,160	↓ -21.0%
Total Expenditure	£1,661,085	£1,751,390	↑ 5.2%	£1,661,085	£1,751,390	↑ 5.2%
Surplus	£-248,991	£36,770	↓ -£285,761	£-248,991	£36,770	↓ -£285,761
Net Profit Margin %	-11.61%	0.85%	↓ -12.46pp	-11.61%	0.85%	↓ -12.46pp
Operations cost as a proportion of sales	118.1%	42.7%	↓ -75.44pp	118.1%	42.7%	↓ -75.44pp
Expenditure as a proportion of Gross Margin	109.1%	122.5%	↑ 13.42pp	109.1%	130.4%	↑ 21.31pp

	Actual	Budget /LY	Var	YTD Actual	Budget YTD	YTD Var
Eduzone Sales	£30,596	£45,644	↓ -33.0%	£30,596	£45,644	↓ -33.0%

Customer Order KPI's

	TY YTD	LY YTD	Var
AOV	£141.37	£134.91	↑ £6.45
Prop of orders over £15	96.0%	97.0%	↓ -1.01pp

Graph - Sales vs. Forecast



HR

	Actual	Target	Var
Sickness Absence Rates *	9.6	8.5	↓ 1.1
No. of Apprentices	13	7	↑ 6.0

*Average days lost per FTE in a 12 month rolling period

Mandatory Training Completion	Actual	Target	Var
Fraud	80%	75%	↑ 4.50pp
Data Protection	63%	75%	↓ -11.60pp
Equality & Diversity	54%	75%	↓ -21.00pp
Health & Safety	74%	75%	↓ -0.60pp
GDPR	53%	75%	↓ -21.90pp

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ESPO

Risk Ref	Risk Description	Consequences / Impact	Risk Owner	Original Risk Score Impact	Original Risk Score Likelihood	Original Risk Score	Risk Action Tolerate / Treat / Transfer / Terminate	List of Current Controls / Actions Embedded and operating soundly	Risk indicators to be used to monitor the risk	Current Risk Score (as at 31/12/17) Impact	Current Risk Score (as at 31/12/17) Likelihood	Current Risk Score	Risk Action Tolerate / Treat / Transfer / Terminate	Further Action / Additional Controls	Action Owner	Action Target Date	Q4 Comments / Updates
25	Increased competition including Amazon & CCS	1. Possible implications on business volume, reputation, new business and on trading results in the Catalogue business 2. Through collaboration with CCS and YPO; CCS is dominating the management of such contracts (MFDs) including the management of the rebates; ensuring security of the income stream is becoming a threat to ESPO's business model. 3. Amazon: moving deliberately into the public sector space, and focussing on education as a key area, Amazon have expressed interest widely within the market place at becoming more than an ad hoc supplier to schools of all levels, expressing their intention to partner with, or secure suppliers who have tailored offering for the sector.	AD Commercial	4	4	16	Treat	1. Working with suppliers and customers to improve the 'offering', facilitating this relationship through capturing and using business intelligence and managing this 'knowledge'. 2. Continue seeking efficiencies through international sourcing 3. Amazon: Continue to market our 'not for private profit' credentials and continue to craft our ranges to offer the very best solution to all tiers of education from our stock and directs position. To explore collaboration with our PBO neighbours to ensure opportunities are not missed in securing market share dominance on key lines such as paper, glue sticks and exercise books. 4. Website Development. 5. Use of BESA benchmarking for ongoing market share data. 6. Continue to make frameworks easier to access. 7. Develop ETL framework offering for diversity of customer base.	1. Changes to key customers' buying (as highlighted at Weekly Trading) 2. Fluctuations in rebate income (as highlighted at Weekly Trading) 3. Stalling of e-commerce uptake trends (as highlighted in IT update) 4. Amazon: Reduction in traditional stationery and direct electrical item sales at category level. 5. Termly customer research and feedback 6. Competitive mapping for frameworks, including new threats from Bloom and CCS expansion. 7. Staff migration to competitors.	5	2	10	Treat	1. Review loyalty scheme – increased requirement on income streams 2. Robust sales and marketing strategy to be developed to reflect the heightened competition in this sector and to support the revised MTFS. 3. Review of Customer Offer 4. MATs package 5. Review termly research. 6. Keep a close eye on developments in the market & particularly on CCS & Amazon. 7. Continue to look out for member authority frameworks that duplicate ESPO's offering. 8. Keep abreast of speculative frameworks that could take business from ESPO frameworks. 9. Continue to explore and maximise exporting opportunities. 10. Review approach to recruitment and retention of key procurement/commercial	AD Commercial	Ongoing	01/04/2019 Points 5, 6 & 7 added to List of Current Controls. Points 6 & 7 added to Risk indicators. 02/12/2019 Additional controls added. 05/03/2020 Further Actions updated. 08/06/2020 Reviewed - no change.
33	Health and Safety compensation claims and fines.	Substantial claim made as a result of a Health and Safety event. Given the nature of the warehouse environment and the customer premises we operate in etc. it is possible these claims could be substantial. This could result in ESPO being placed at substantial risk of continuing in business due to level of damages paid and reputational impact.	Director	4	4	16	Treat	1. Ownership by the Director 2. Dedicated Health and Safety Officer & Senior H&S Advisor. 3. Risk assessments, safe systems of work. 4. Incident, accident and near miss reporting recorded on Assess-net allowing for overview and enhancing ability to determine actions to mitigate future risk 5. Investment in safety equipment 6. Regular Health and Safety Committee meetings (Director to review minutes) 7. Internal Audit assessment 8. Regular Health and Safety walkabouts 9. Standard update item at monthly Leadership Team (LT) Officer at quarterly LT Risk Meetings	1. Health and Safety Walkabout actions 2. Internal Audit reports 3. Staff Surveys 4. Record of Health and Safety events and actions taken and recorded on Servicing Authority's Assess-net	4	3	12	Treat	1. 3rd Party Independent Assessment 2. Health and Safety culture embedded throughout the organisation 3. Response to public ' ' to be considered in Health and Safety planning e.g. Grenfel Towers 4. Appoint H&S advisor via LCC SLA. 5. Investment in new reach trucks with additional safety features and more driver aids. 6. Plans to recruit more permanent reach truck drivers. 7. Programme of H&S training courses implemented 8. Look to ammend policies in future 9. Mock trials held on 6th & 13th Feb in conjunction with LCC.	AD Operations	See Comments 1.March 2019 2.Feb 2019 3.Jan 2019	05/09/2018 Reviewed - List of current control sammended, removed point 10 (1. All LT received specific training in Health & Safety) 06/12/2018 Updated further actions. Targets: 1. Introducing mesh-decks on the pallet racking to reduce probability of push-throughs. 2. Installing CCTV into the bulk store to enable route cause analysis on incidents. Also to assist with training. 3. Programme of document control being rolled out to enable electronic retrieval of safety documents. 04/03/2019 4. Health, Safety & Wellbeing Policy document created Nov 2018. 5. ESPO H&S Policy Statement Nvo 2018. 6. H&S Action Plan - Nov 18. 7. H&S SLA with LCC Jan 2019. 8. Compliance Action Plan reviewed weekly by LT Jan 2019. 9. Monthly HS&W review with LT. 03/06/2019 Point 7 added to further actions. 10. Specification for the 8 new LGVs delivered May 19 include additional safety features. 03/09/2019 LCC audit on H&S planned for sept 2019. 02/12/2019 4th & 5th November LCC H&S Audit conducted by Tony OBrien. Minor non conformances and observations being responded to. 05/03/2020 Further Actions updated.
51	Space constraints in the context of ESPO growth ambitions - options for mitigating short and long	1. Unable to operate safely 2. Unable to process customer orders 3. Unable to store sufficient stock 4. The exercise book supply chain will require ESPO to purchase and store stock at an earlier stage in the cycle. This is estimated at circa 2,000 pallets. There is insufficient space at the ESPO warehouse.	AD Operations	4	4	16	Treat	1. Use of peak warehouse 2. Rationalise supplier base 3. Create more efficient storage regime 4. Create more efficient picking regime 5. Outside storage of exercise books at Felixstowe 6. Assess supplier holding stock 7. Extend the mezzanine floor 8. Introduce warehouse automation 9. Assess use of modular buildings on the ESPO site. 10. Modified supply chain for exercise books with production in Poland requiring less storage space at the Leicester Warehouse 01/08/218 11. Mitigation is through pursuing an off-sit, shared-user warehousing agreement with the supplier.	1. Racked space utilisation 2. Lines picked/packed per person per hour c.f. budget 3. Overall lines picked per day c.f. budget 4. Business Case being prepared.	4	3	12	Treat	LCC discussions. Visibility at LT on a regular basis. 19/02/2020 LTFS Away Day planning 03/03/2020 Space meeting with LCC 05/03/2020 Logistics consultants appointed to validate assumptions.	AD Operations	N/A	03/06/2019 Reviewed - no updates. 03/09/2019 Meeting with KCS in September 2019 to discuss storage facilities in 2020. 16/09/2019 we have secured up to 1750 pallet spaces from KCS for 2020/21. 02/12/2019 Discussions with LCC regarding additional warehouse site 4th Nov paper being developed. 05/03/2020 Risk indicators and Further Actions updated.

ESPO

Risk Ref	Risk Description	Consequences / Impact	Risk Owner	Original Risk Score Impact	Original Risk Score Likelihood	Original Risk Score	Risk Action Tolerate / Treat / Transfer / Terminate	List of Current Controls / Actions Embedded and operating soundly	Risk indicators to be used to monitor the risk	Current Risk Score (as at 31/12/17) Impact	Current Risk Score (as at 31/12/17) Likelihood	Current Risk Score	Risk Action Tolerate / Treat / Transfer / Terminate	Further Action / Additional Controls	Action Owner	Action Target Date	Q4 Comments / Updates
63	Exiting EU	1. 'Within year' increases in buying prices due to higher import costs could reduce margins – possible failure to suppress 'cost of sales' target and impact on international sourcing programme 2. Year on year buying price increases put pressure on margins/competitiveness 3. Inflation could reduce discretionary spend by customers – reduced sales 4. Extension to austerity or further cuts in public finances – impact on customer spending 5. Threat to achieving MTFS 6. Competition benchmark reset 7. Post Brexit tariffs 8. Supply chain disruption 9. Potential increase in business failures 10. Changes to EU procurement law 11. Additional LT meeting/monitoring sessions to be diarised 12. Liason @ AD level between ESPO & LCC	Director	4	4	16	Treat	1. Aim to resist price increase 'within year' 2. Mitigate increases through competition, re-sourcing, extensions 3. Support sales through targeted promotion and marketing 4. Factor in changes to the MTFS 5. Competition position on pricing and Brexit pass through 6. Strategic supplier engagement 7. Enhance catalogue T&Cs 8. Make website default price reference point 9. Create Brexit planning group	1. Review YPO catalogue to consider market reaction to price increases 2. Seek to pass through but still observe pricing position 3. Top 30 suppliers accounting for 50% of catalogue business on Creditsafe weekly 'alert' (automatic notification of change in status)	4	3	12	Treat	1. Workforce Strategy agreed 2. Yearly commercial plan in place. 3. Understanding of where goods come from EU through supplier engagement.	Director	Ongoing	01/10/2018 reviewed -updated further controls and consequences. 02/12/2019 List of Current Controls updated. 02/03/2020 Reviewed - no change. 08/06/2020 Reviewed - no change.

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A of the Local Government Act 1972.

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