



EASTERN SHIRES
PURCHASING
ORGANISATION

A LOCAL AUTHORITY PURCHASING AND DISTRIBUTION CONSORTIUM

CONSORTIUM SECRETARY: JOHN SINNOTT, MA, Dipl. P.A.,
CHIEF EXECUTIVE, LEICESTERSHIRE COUNTY COUNCIL

Date:	15/06/21
My Ref	CT/ESPO
Please ask for:	Cat Tuohy
Direct Dialling	(0116) 305 5483
e-mail:	cat.tuohy@leics.gov.uk

To: Members of the ESPO Management Committee

Dear Member,

ESPO MANAGEMENT COMMITTEE

A meeting of the Management Committee will be held on Wednesday, 23 June 2021 at 10.30 am via Microsoft Teams.

Yours faithfully,

Cat Tuohy
for Consortium Secretary

AGENDA

Item

Report by

1. Appointment of Chairman.

Cllr. P. Butlin has been nominated to be Chairman for the municipal year ending April 2022.
2. Appointment of Vice-Chairman.
3. Minutes of the meeting held on 17 March 2021. (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 covered in items 7 and 13 which appear elsewhere on the agenda.

- | | | | |
|-----|---|----------------------|-----------------|
| 7. | Internal Audit Service - Annual Report 2020/21. | Consortium Treasurer | (Pages 9 - 42) |
| 8. | Grove Park Modification - Future Ways of Working. | Director | (Pages 43 - 46) |
| 9. | Director's Progress update. | Director | (Pages 47 - 58) |
| 10. | Date of Next Meeting. | | |

The next meeting of the Committee is scheduled to take place on Wednesday 15 September at 10.30 am as an attended meeting.

11. 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).

- | | | | |
|-----|--|--|------------------|
| 12. | Director's Supplementary Report. | Director | (Pages 59 - 74) |
| 13. | Draft Outturn 2020/21. | Director and Consortium Treasurer | (Pages 75 - 86) |
| 14. | Operation of the Contract Procedure Rules. | Director | (Pages 87 - 94) |
| 15. | LGA Truck Cartel Litigation. | Legal Advisor to the Servicing Authority | (Pages 95 - 96) |
| 16. | Website Update. | Director | (Pages 97 - 108) |

There will be a presentation for this item.

- | | | | |
|-----|------------------------------|----------|-------------------|
| 17. | My School Fund Presentation. | Director | (Pages 109 - 118) |
|-----|------------------------------|----------|-------------------|

There will be a presentation for this item.

18. 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, 17 March 2021.

PRESENT

Cllr. M. Howell (in the Chair)

Peterborough City Council

Cllr J. Holdich OBE

Lincolnshire County Council

Cllr A. Hagues

Cllr. S. Rawlins

Leicestershire County Council

Dr. R. K. A. Feltham CC

Mr. R. Shepherd CC

Warwickshire County Council

Cllr. P. Butlin

Apologies

Apologies were received from Cllr. S. Clancy and Cllr. M. Smith-Clare from Norfolk County Council, Cllr D. Seaton from Peterborough City Council, Cllr. I. Bates from Cambridgeshire County Council and Cllr. P. Birdi Warwickshire County Council.

In attendance

ESPO

Kristian Smith - Director

Maurice Campbell – Assistant Director

David Godsell – Assistant Director

Matt Selwyn Smith – Assistant Director

David Goodacre – Finance Controller

Leicestershire County Council

John Sinnott – Consortium Secretary

Declan Keegan – Assistant Director Strategic Finance and Property on behalf of Consortium Treasurer

Mo Seedat – Head of Democratic Services

Neil Jones – Head of Internal Audit and Assurance

Matt Davis – Audit Manager

Cat Tuohy – Democratic Services Officer

36. Chairman's Announcement.

The Chairman reported that Cllr. David Seaton would be stepping down from Peterborough City Council at the elections in May 2021. Cllr. Seaton had joined the Management Committee in 2011 and served as Chairman in 2018 in which he had overseen and scrutinised the expansion into ESPO Trading Limited.

The Chairman also thanked Cllr Ian Bates who had been first elected in 2001 to Cambridgeshire County Council and did not plan on standing for election in May 2021. Cllr Bates had been a long serving member of the Management Committee.

The Chairman also reminded the Committee that Cllr. John Holdich OBE would also not be standing for elections for Peterborough City Council in May 2021 Cllr Holdich had been one of the longest serving Members on the Management Committee, serving as Chairman in 2005 and 2012 and he made a major contribution to modernising and transforming ESPO, in particular the development of the prominent ESPO brand seen today.

Members and officers echoed the Chairman's comments and sent Cllrs Bates, Holdich and Seaton the best wishes for the future.

37. Minutes of the meeting held on 25 November 2020.

The minutes of the meeting held on 25 November 2020 were taken as read, confirmed and signed.

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

There were no urgent items for consideration.

39. 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.

40. Items referred by the Finance and Audit Subcommittee.

The Chairman informed the Committee that there were two items referred and recommended for approval by the Finance and Audit Subcommittee, covered in Agenda Item 5, the Annual Internal Audit Plan 2021-22 and Agenda Item 9, the Forecast Outturn 2020-21 and the Draft MTFS.

41. Internal Audit Plan 2021/22.

The Committee received a report of the Consortium Treasurer on the Annual Internal Audit Plan 2021-22. A copy of the report marked 'Agenda Item 5' is filed with these minutes.

The Committee noted that 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 its audits. Members were assured that any high assurance recommendations would be shared with them and reported to the Management Committee.

Members noted that as a result of COVID-19 site visits had been deferred. Such visits remained beneficial due to the valuable insight gained from engaging with companies

and verifying their financial figures. Once the relevant restrictions were lifted visits would resume.

The Committee was advised that the Finance and Audit Subcommittee had considered the report at its meeting on 17 February and supported approval of the Plan.

RESOLVED:

That the ESPO Internal Audit Plan for 2021-22 be approved.

42. Director's Progress update.

The Committee considered a report of the Director which provided an update on the actions and progress made since the previous Committee held on 27th November 2020. A copy of the report, marked 'Agenda Item 6', is filed with these minutes.

The Director informed the Committee that ESPO currently stocked 97.3% of its catalogue within its warehouse. The value of items out of stock was circa £20,000, which was not considered high value and did not contain any key items.

The impact of the United Kingdom's exit from the European Union had been marginal due to good governance and having a customs agent and propriety systems in place. The situation would be monitored closely by the Senior Leadership Team.

RESOLVED:

That the progress report be noted.

43. 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.

44. 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).

Arising from the discussion members noted the following:-

- i. To recognise ESPO's 40th anniversary a video had been produced celebrating its history and role within the public sector. There were other promotional activities that would be shared with its members and customers.

- ii. Regarding imports, ESPO had decided to use the deferred VAT scheme to postpone charges on individual consignments to prevent any potential delays.
- iii. There were issues regarding food importation which affected some suppliers' abilities to fulfil all customer needs in relation to certain procurement solutions. ESPO itself did not handle any food importation or storage within its warehouse.

RESOLVED:

That the report and supplementary information now provided be noted.

45. Forecast Outturn 2020/21 and Draft MTFS 2021/22-2024/25.

The Committee considered an exempt joint report of the Director and Consortium Treasurer concerning the forecast outturn for 2020/21 and the Medium Term Financial Strategy 2021 - 2025. A copy of the report, marked 'Agenda Item 9', 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 Committee noted that ESPO and Leicestershire County Council were working on the assumption, following the Chancellor of the Exchequer's announcement on public sector pay, that whilst a pay freeze would not be mandated to apply to local government it was expected that local government employers would follow the central government approach, as had been the case during austerity.

The Director informed Members that the costs set out within the MTFS were dependent on the volume of sales. As sales increased so would the cost of the overall operation. ESPO's business strategy was set out over ten years to ensure its logistics model became more efficient, aided through the planned creation of a storage warehouse and separate distribution centre.

The Committee were pleased to note the performance of ESPO, despite the pressure from COVID-19.

The Committee was advised that the Finance and Audit Subcommittee had considered and recommended the report for approval at its meeting on 17 February.

RESOLVED:

- a) That approval be given to the Medium-Term Financial Strategy 2021-2025, that incorporates the recommended revenue budget for 2021/22 projecting a surplus of £5.0million.
- b) That the projected provisional revenue budget as set out in paragraph 28 be approved.
- c) That the level of reserves as set out in paragraph 56 be noted and the use of those earmarked fund as set out in the report be approved
- d) That the 2021/22 capital programme as set out in paragraph 52 be approved.

46. Public Procurement Rules Update from 1 January 2021.

The Committee considered an exempt joint report of the Director, the purpose of which was to set out an update to Public Procurement Rules. 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).

RESOLVED

That the report be noted.

47. Date of Next Meeting.

It was noted that the next meeting of the Committee would be held on 23 June via Microsoft Teams.

10.30-11.30

CHAIRMAN

17 March 2021

This page is intentionally left blank



ESPO MANAGEMENT COMMITTEE – 23 JUNE 2021

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2020-21

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 2020-21.

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) supporting the financial statements, which will be reported to a future Management Committee.
6. However, whilst the Subcommittee received and noted the annual

report at its meeting on 26 May 2021, 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 actually 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). **Note:** The HoIAS undertook self-assessments after the date of the Subcommittee, the results of both have been included in this report.
 - e. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement

Internal Audit Service Annual Report 2020-21

8. The annual report for 2020-21 is provided in the **Appendix**. The report includes the HoIAS opinion.

Aside from the partial assurance rating given following the audit of credit control, no other significant governance, risk management or 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.

9. **Annex 1** provides detail on how the annual internal audit opinion was formed, defines types of audits, the components of the control environment and what it is designed to achieve and provides a caveat on any opinion reached.
10. **Annex 2** lists the audits undertaken during the year. For assurance audits the individual audit opinion is given.
11. **Annex 3** is the result of the light touch self-assessment conducted by the HoIAS of the Service's general conformance to the PSIAS. Supporting notes are reported in bold font
12. **Annex 4** is the result of the HoIAS light touch review of the Quality Assurance and Improvement Programme (QAIP). The Action Plan on the last page (bold font) shows two further improvements are required, but three small improvements have been moved forward.
13. Headlines from the report are: -

- a. Whilst one audit returned a partial assurance rating, management has accepted the recommendation and is already working to implement them.
- b. 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)
- c. An overall substantial assurance rating is given that the control environment remains adequate and effective.
- d. The majority of planned work was achieved
- e. More days were provided than planned, despite disruptions caused by the Government imposed lockdowns
- f. The HoIAS considers ESPO's responses to continuing to operate its finance and IT systems during lockdowns were well planned.
- g. The Service generally conforms to PSIAS
- h. The QAIP has been updated with some actions moved forward.

Resources Implications

- 14. The budget for the provision of the internal audit service is contained within ESPO' Medium Term Financial Strategy under charges by the Servicing Authority.
- 15. 155 days were provided (150 planned) and the total charge to ESPO was £52,350.

Recommendations

- 16. That the Management Committee approves the Internal Audit Service annual report for 2020-21.

Equal Opportunities Implications

- 17. 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 2020-21
 Report to Finance & Audit Subcommittee 26 May 2021

Officer to Contact

Neil Jones
 Head of Internal Audit & Assurance Service

Telephone 0116 305 7629
 Email Neil.Jones@leics.gov.uk

Appendices

Appendix	Internal Audit Service Annual Report 2020-21
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 2020 and 14 May 2021 from which the overall opinion is derived
Annex 3	Summary self-assessment of conformance to the PSIAS – May 2021
Annex 4	Quality Assurance & Improvement Programme (QAIP) – May 2021

ESPO**Leicestershire County Council
Internal Audit Service
Annual Report 2020-21**

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

10 June 2021

ESPO
LEICESTERSHIRE COUNTY COUNCIL INTERNAL AUDIT SERVICE
ANNUAL REPORT 2020-21

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. 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: -

Aside from the partial assurance rating given following the audit of credit control, no other significant governance, risk management or 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

- 8. 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. Summary outcomes and recommendations have been reported throughout the year in the HoIAS' quarterly reports on progress against the annual internal audit plan.
- 9. A number of 2019-20 audits that were at draft report stage were closed with no changes to opinions
- 10. Whilst there were not any individual high importance recommendations in 2020-21, the collective number of recommendations made in the credit control audit, led to a partial assurance rating being applied. ESPO management has accepted the recommendations and is working on implementing actions to mitigate the risk.
- 11. A further seven '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 four remained in draft report form at the time of

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

12. Ten audits returning 'no opinion' were 'consulting' (advisory) type audits (see definitions). Work continues to review data matches after ESPO voluntarily submitted its payroll and creditors data into the 'National Fraud Initiative' (a nationwide counter-fraud data-matching exercise).
13. Two audits remain work in progress at the time of this statement,
14. Two audits were deferred into 2021-22 one of which wasn't undertaken because of the impact of covid-19 on workplaces.
15. Other than the External Auditor, there was no reliance on other assurance providers during the year.
16. Other than the Government enforced lockdowns because of covid-19, there were no known impairments or restrictions to internal audit's scope. A decision was taken to postpone rebates incomes audits as it's considered more productive to work at the suppliers' sites.

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

17. The table below shows planned against actual performance both in terms of number of audits (completed to draft issued stage) and days allocated (time to 31st March 2021).

Table 1 : Overall performance against 2020-21 internal audit plan

	<u>Audits</u>	<u>Complete @ 14/5</u>	<u>Incomplete @ 14/5</u>	<u>Cancelled</u>	<u>Days</u>
Close 19-20	1	1	-	-	20
Follow up HI recs	-	-	-	-	-
Planned	17	13	2	2	102
Unplanned	5	5	-	-	19
Client management	1	1	-	-	14
Total	24	20	2	2	155

18. 150 days were originally planned. Some resource has already been utilised in 2021-22 completing 2020-21 audits.

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

19. The HoIAS undertook a light touch self-assessment of LCCIAS's conformance to the PSIAS to confirm that the County Council's internal audit activity generally conforms with the International Standards for the Professional Practice of Internal Auditing. Notes supporting the self - assessment, and other changes, are reported in bold font in **Annex 3**.
20. The HoIAS also light touch reviewed the service's Quality Assurance and Improvement Programme (QAIP) and found that two new recommendations

for improvement should be added, but three small improvements could be moved forward. All changes to the action plan on the last page of **Annex 4** are reported in bold font.

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

21. None, but 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.

Neil Jones CPFA
Head of Internal Audit Service
LCCIAS

10 June 2021

This page is intentionally left blank

**The Head of Internal Audit Service's Annual Opinion
on the overall adequacy and effectiveness
of ESPO's control environment
2020-21**

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

17th May 2021

Background

During the financial year 2020-21, 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. 2020-21 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. The results of audits undertaken during 2020-21 are reported in **Annex 2**
- the professional judgement of the HoIAS based on his evaluation of other related activities.

The results of the above, when combined, form the basis for the opinion on ESPO's control environment. However, 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 reasonable assurance on the adequacy of the control environment on the basis of the work undertaken and known facts.

Governance related internal audit work

Good governance principles were found to have been applied in audits of the Annual Governance Statement compilation and the readiness for transition from CIPFA accounting methods to FRS 102. Advice was provided in respect of the analysis and reworking of ESPO's Procurement Workplan for the remainder of 2020/21 in order to adjust Business as Usual activity as a result of the effect of COVID-19. The results of the Leadership Team's self-assessment of preparedness for potential supply chain issues and workforce issues due to EU exit are being reviewed.

Advice was provided on the compilation of the AGS and a revision to the Local Code of Governance.

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. For the September 2020 review (of the 2019-20 AGS) the Director reflected the impact of covid-19 on ESPO's governance arrangements. The Director continued to display good governance by reporting how ESPO was managing its staff safety throughout the rest of 2020-21.

Risk management related internal audit work

The majority of 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.

An audit of credit control arrangements returned only a partial assurance rating. ESPO management accepted all findings and is working on implementing recommendations. A follow up audit is planned in the late summer.

An audit of counter fraud (procurement) returned substantial assurance and advisory work on the warehouse project, the website development, IT developments and climate change was positively received by management. An assessment of any matches identified in the National Fraud Initiative results should be available for the June Management Committee.

A fraud risk assessment was undertaken. No real issues were identified.

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

Financial (and ICT) Controls related internal audit work

A number of financial system audits were undertaken including those of ESPO's General Financial Systems, IT General Controls and work provided by the Servicing Authority (H&S). Each returned substantial assurance.

Assurances were obtained on ESPO's procedures for working remotely and financial systems

Advisory work was undertaken in respect of a Cyber Issue, an HR Compatibility claim

Testing continues on post event reviews of overseas travel.

The annual rebates income audit could not be completed because it would have benefitted for required site visits and that was possible.

Aside from the partial assurance rating given following the audit of credit control, no other significant governance, risk management or 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

17th May 2021

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.

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.

Continued.....

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'.

This page is intentionally left blank

Summary of Internal Audit Service work between 1 April 2020 and 14 May 2021 from which the overall opinion is derived

<u>Ref¹</u>	<u>Type²</u>	<u>Audit title</u>	<u>Assurance objective</u>	<u>Position @ 14 May 2021</u>
21-A	N/A	Continuation of work commenced in 2019-20	To complete any outstanding audits	<ul style="list-style-type: none"> Complete
21-B	GO	Annual Governance Statement 2019-20	Review of the management self-assessments of assurance in the 2019-20 AGS	<ul style="list-style-type: none"> Final report issued – Substantial Assurance
21-C	GO	Transition to Financial Reporting Standard 102	Preparedness for the movement from CIPFA to FRS 102 to include governance related reports supporting the financial statements	<ul style="list-style-type: none"> Final report issued - Substantial Assurance
21-E	GO	Frameworks	Developing any new offerings	<ul style="list-style-type: none"> As reported previously, two pieces of advisory work completed in respect of the analysis and reworking of ESPO's Procurement Workplan for the remainder of 2020/21 in order to adjust Business as Usual activity as a result of the effect of COVID-19.
21-G	RM	Warehouse	<p>Original Objective: Review of the capital investment decision process</p> <p>Revised Objective: To provide advisory through the project lifecycle (see 2021/22 plan)</p>	<ul style="list-style-type: none"> Advisory Complete for 2020/21
21-H	RM	Credit Control	Review of credit control arrangements especially with export and private sector and due diligence routines	<ul style="list-style-type: none"> Final report issued – Partial Assurance <p>A number of recommendations made but all accepted by management</p>
21-I	RM	Counter Fraud - NFI	Results are correctly interpretation and investigated	<ul style="list-style-type: none"> Matched reports were received in February 2021 and promptly issued to

				relevant ESPO Officers to review <ul style="list-style-type: none"> • Completion of investigatory work has been requested by end of May 2021 • Further work will be undertaken therefore in 2021/22 (See Job 22-J)
21-J	RM	Counter Fraud - Procurement	Specific area(s) of potential fraud are addressed	<ul style="list-style-type: none"> • Draft report issued – Substantial Assurance
21-K	RM	Website Development	Key risks and issues are effectively identified and managed - project governance and assurance on user testing and training	<ul style="list-style-type: none"> • Terms of engagement previously agreed • Ongoing control advice as critical friend on project board • Additionally, ad-hoc practitioner advice given by the ICT auditor
21-L	RM	IT Developments	Replacing e-mail servers into the cloud; future delivery methods	<ul style="list-style-type: none"> • All development work was incorporated into Key ICT Controls coverage for 20/21 – see Job 21-O.
21-M	RM	Emerging Risks	ESPO identification and preparedness for any emerging risks e.g. climate change requirements	<ul style="list-style-type: none"> • Climate Change Internal Control Questionnaire issued to Leadership Team • Further work to be undertaken in 21/22
21-N	IC	General Financial Systems	To discuss with the External Auditor and Assistant Director (Finance), but typical coverage includes reconciliations; receivables; payables; payroll and stock	<ul style="list-style-type: none"> • Draft Report Issued – Substantial assurance
21-O	IC	IT General Controls	The range of controls expected by the External Auditor are well designed and consistently applied.	<ul style="list-style-type: none"> • Draft Report Issued – Substantial assurance
21-Q	IC	Servicing Authority	Key Performance Indicators for services provided by the Servicing Authority are adhered to	<ul style="list-style-type: none"> • Draft Report Issued – Substantial assurance

Substitute/Additional Jobs – All completed:

<u>Ref</u>	<u>Type</u>	<u>Audit title</u>	<u>Assurance objective</u>	<u>Position @ 14 May 2021</u>
21-S1	IC	Contingency – Cyber Issue	To investigate a fraudulent invoice associated with an ESPO client	<ul style="list-style-type: none"> Advisory - work complete (all procedures at ESPO operated correctly – the issue was at the customer end)
21-S2	IC	Contingency – HR Compatibility claim	To ascertain validity of the claim and any associated lessons learned.	<ul style="list-style-type: none"> Advisory Complete
21-S3	IC	Contingency – IT Assurances during COVID	Adequate IT Controls are in place during the Covid-19 Pandemic.	<ul style="list-style-type: none"> Final report issued - Substantial Assurance
21-S4	IC	Contingency – Receivables and Payables Assurances during COVID	Key Receivables and Payables Assurances were maintained during the initial move to offsite working	<ul style="list-style-type: none"> Advisory – work complete and no issues raised
21-S5	RM	Counter Fraud Risk Assessment	'Identification of Potential Fraud Risks in accordance with the CIPFA Code of Practice on Counter Fraud (2014)	<ul style="list-style-type: none"> Advisory – work complete and no issues raised

Audits in progress

<u>Ref</u>	<u>Type</u>	<u>Audit title</u>	<u>Assurance objective</u>	<u>Position @ 14 May 2021</u>
21-D	GO	Transition from EU	Preparedness for potential supply chain issues and workforce issues	<ul style="list-style-type: none"> Self-Assessment questionnaire returned by ESPO Leadership Team – results currently being analysed <p>(Note: Work purposely delayed until deal/no deal situation was known and could be factored in)</p>
21-R	IC	Overseas Travel	Post event reviews	<ul style="list-style-type: none"> Report currently being compiled

Audits not started

None

Deferred Jobs

21-F	GO	Business Growth – Strategic Alliance(s)	Business case development, review and approval	<ul style="list-style-type: none"> Deferred into 21/22 (COVID has delayed some of the progress work at the ESPO end)
21-P	IC	Rebates Income	Annual audit to evaluate whether rebates received conform to estimates of supplier business generated - focus will be on site visits	<ul style="list-style-type: none"> Supplier visits have not been possible – deferred into 21/22

¹unique reference numbers based on the financial year in question (i.e. '21-A' relates to the first entry on the approved 2020/21 audit plan)

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

³traditionally audits where the external auditor has placed reliance on the work of internal audit

Requirement	GC	PC	DNC	Notes supporting assessment at 25 May 2021 (bold font = new/updated)
Mission of internal audit	Y			
Definition of Internal Auditing	Y			Some impairment with the redeployment & secondment, but controls established. Y – to improving rm,g, ic
Core Principles	Y			QAIP records the need to better demonstrate quality and continuous improvement
Code of Ethics	Y			By end of June 2021 - Reissue and review self-assessments with newer guidance and reflect WoW action plans
1000 Purpose, Authority and Responsibility	Y			By end of June 2021 - 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			The 6 auditors redeployed will not conduct audits in those areas – no Board sets HoIAS pay
1111 Direct Interaction with the Board	Y			
1120 Individual Objectivity	Y			
1130 Impairment to Independence or Objectivity	Y			By end of June 2021 – update for guidance on fraud responsibility at all but city
1200 Proficiency and Due Professional Care	Y			
1210 Proficiency	Y			ICT audit resource is being trained up internally + new users of data analytics + CF trainee
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 March 2018 'generally conforms'. No desire to f/u early so plan in November 22 for March 23
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			20-21 predominantly reactive - New approach to 21-22. Needs to link to a strategy document
2020 Communication and Approval	Y			County re-established 21-22
2030 Resource Management	Y			
2040 Policies and Procedures	Y			DA strategy + remote working Audit manual needs updating to incorporate remote working procedures
2050 Coordination	Y			Look for other assurance in ToE
2060 Reporting to Senior Management and the Board	Y			Board yes – SMT will be for Ci and Co
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			Move to a consistent ToE + ToEs for grants
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			Adopted IIA principles and guidance on remote working. Further work on skepticism
2310 Identifying Information	Y			
2320 Analysis and Evaluation	Y			Everyone basic DA
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.

Neil Jones, Head of Internal Audit & Assurance Service, Leicestershire County Council 25 May 2021

LCCIAS - Quality Assurance Improvement Programme – May 2021 – Annex 4

Role	Responsibilities (& actions required)	Evidence (& actions required)
<p>Head of Internal Audit Service Develop, maintain and report on a Quality Assurance Improvement Programme (QAIP)</p>	<ul style="list-style-type: none"> • Develop and maintain the governance structure for the Internal Audit Service including: <ul style="list-style-type: none"> ○ Internal Audit Strategy approved by Chief Financial Officer (CFO) (action #1) ○ Internal Audit Charter(s) – revised in line with IASAB changes when required and reported to Committees (#10) ○ Internal Audit Annual Service Plan ○ Counter Fraud Annual Work Plan ○ Combined Assurance Model • Develop and maintain internal audit policy and practice to ensure that they conform to the Mission, Purpose, Core Principles and Definition of Internal Audit, Code of Ethics and the Standards • Undertake an annual PSIAS self-assessment to ensure conformance • Annual self-assessment against the CIPFA Statement on the role of the Head of Internal Audit in Local Government (revised April 2019 so report to senior management & governance arenas in 2021) (#9). • Annually arrange, review and record staff: - <ul style="list-style-type: none"> ○ self-assessments against the Standards' Code of Ethics – reminder to review and update (#11) ○ declarations of interest ditto • Ensure independent external quality assessment is performed at least once every 5 years • Maintain an improvement plan on the results of ongoing and periodic assessments of quality • Communicate the results of the QAIP to senior management and the appropriate bodies' committees with responsibility for the 	<ul style="list-style-type: none"> • Roles and responsibilities are clearly identified in job descriptions/person specifications • Audit Charters approved by respective senior management and committees responsible for the internal audit function • Up to date guidance (but requires a new Audit Manual) (#2) • Annual PSIAS internal self-assessment and QAIP improvement plan (#3) • Head of Internal Audit Service annual report and opinion on governance, risk and control includes the results of the QAIP • Balanced Internal Audit Plan - appropriately resourced • Performance framework sets out requirements for people strategy and performance monitoring (#4). • Annual appraisal performance of HoIAS by AD Strategic Finance & Property (informed by others) and throughout the team using the corporate model (being revised summer '18) (#4) • HoIAS review of contentious,

LCCIAS - Quality Assurance Improvement Programme – May 2021 – Annex 4

Role	Responsibilities (& actions required)	Evidence (& actions required)
	<p>internal audit function namely: -</p> <ul style="list-style-type: none"> ○ Corporate Governance Committee – Leicestershire County Council ○ Finance & Audit Subcommittee and Management Committee – ESPO ○ Pension Board – Leicestershire Pension Fund ○ Corporate Governance Committee – Leicestershire Fire & Rescue Service ○ Audit & Risk Committee – Leicester City Council <ul style="list-style-type: none"> • Report any significant non-conformance in the appropriate bodies' Annual Report and Annual Governance Statement. • Inform any annual review of the system of internal audit undertaken by the organisation • Undertake regular stakeholder communications to assess the degree to which the Internal Audit Service meets customer expectations (formal and informal) (#5) • induction programmes, training plans (#6) and associated training activities • maintain training records and training evaluation procedures • ensure professional staff are completing their institutes' CPD (#7) • the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software) • Undertake periodic benchmarking and/or obtain information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes – already done through national and midlands networks, TISONLINE, BGF, IIA, CIPFA, IFAC etc 	<p>sensitive draft reports and sign off</p> <ul style="list-style-type: none"> • Rotation of team supervision / people

LCCIAS - Quality Assurance Improvement Programme – May 2021 – Annex 4

Role	Responsibilities (& actions required)	Evidence (& actions required)
Head of Internal Audit Service Obtain periodic assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit standards	Periodic quality assurance assessments Review work performed to ensure conformance with the Mission, Purpose, Core Principles and Definition of Internal Audit, Code of Ethics and the Standards and LCCIAS policies and procedures – to include the following key stages (#7): Audit Process <ul style="list-style-type: none"> ○ Ensure engagements were conducted in accordance with practice. ○ That the Audit Manager allocated the right people, with appropriate skills and experience, to perform the audit ○ Quality of engagement planning and supervision ○ Quality of working papers and evidence to support conclusions and recommendations. ○ Depth/scope of Audit Manager review points ○ Quality of communications of results and the final report ○ Assess how well the audit delivered and added value to governance, risk and control framework of the organisation Performance <ul style="list-style-type: none"> ○ Ensure the work was achieved within budgets (time/pace) ○ Achieved performance standards People <ul style="list-style-type: none"> ○ Ensure individual auditors are trained and developed with appropriate performance evaluations undertaken at audit engagement level and individual performance appraisal are completed 	<ul style="list-style-type: none"> • Recording the outcome of ongoing QA – using standard checklist based on conformance with definition of IA, code of ethics and <i>Standards</i> on a sample of audits. • Monitoring of the outcome of post audit debrief discussions • Monitoring of the outcome of post audit questionnaire feedback – • Monthly 1:1 for Audit Managers • Annual performance appraisal and 6 monthly reviews completed • Individual training and development plans • Service training and development plan

35

LCCIAS - Quality Assurance Improvement Programme – May 2021 – Annex 4

Role	Responsibilities (& actions required)	Evidence (& actions required)
<p>Audit Managers Obtain on-going assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards</p> <p>Undertake engagement supervision and review to varying degrees</p>	<p>Ongoing monitoring – quality built into the audit process Quality checks and oversight undertaken throughout the audit engagement ensuring that processes and practice are consistently applied and working effectively. It covers the whole of the audit process but primarily these key stages:</p> <p>Engagement Planning</p> <ul style="list-style-type: none"> ○ Ensure that the audit engagement is allocated with the appropriate resources - right people with the right skills to identify significant issues ○ Provide suitable instructions at the outset of the engagement ○ Risks relevant to the activity under review have been assessed and the scope and coverage of the audit reflects this risk assessment ○ Exclusions are sensible ○ Other lines of defence have been identified and recoded ○ Approve the Terms of Engagement (ToE) prior to the commencement of the fieldwork <p>Fieldwork</p> <ul style="list-style-type: none"> ○ Ensure that audits are conducted as planned and that any (significant?) variations are approved in advance of undertaking them ○ Ensure that appropriate controls and tests are used to deliver the expected assurance results ○ Ensure the correct test score has been applied based on the evidence collated ○ Ensure that findings, conclusions and recommendations are 	<ul style="list-style-type: none"> • ToE agreed with auditors & approved • ToE monitored for delivery – budget and pace • Sign off controls and tests to ensure compatible with the audit scope • Review and sign-off working papers and draft report • Supervision – 1:1 • Completion of review check list • Completion of post audit de-brief • Review of customer feedback • Quarterly progress meetings with large clients County, ESPO, Fire and City reports completed for each client • Annual conflict of interest form & assessment at each audit engagement • Assist HoIAS to follow up on HI recommendations and reporting to Committees • Oversee Business Support Service follow up of audit recs

Role	Responsibilities (& actions required)	Evidence (& actions required)
	<p>adequately supported by relevant, reliable and sufficient evidence</p> <ul style="list-style-type: none"> ○ Ensure that appropriate working papers have been prepared and maintained – with information gathered is adequately described and retained. ○ That the evidence gathered identifies the cause and effect (impact) of the issues identified and their significance. ○ Ensure that work identified in the planning stage has been completed <p>Communicating results / report</p> <ul style="list-style-type: none"> ○ Ensuring that reports are accurate, objective, clear, concise and timely ○ Obtain assurance that key findings have been sufficiently communicated to the client so no surprises at the closure meeting ○ Review and sign off the draft report ○ Ensure high importance recommendations are re-tested to ensure implementation ○ For other recommendations ensure the Business Support Service is following up at the required time and gaining sufficient information to confirm implementation <p>Performance</p> <ul style="list-style-type: none"> ○ Ensure that the work is achieved within the resource budget (time budgets and date span) ○ Sign off Post Audit Debrief with individual auditor at the end of each audit engagement identifying opportunities for improvement at the audit and individual level <p>Monitor overall performance of team</p>	

LCCIAS - Quality Assurance Improvement Programme – May 2021 – Annex 4

Role	Responsibilities (& actions required)	Evidence (& actions required)
	<ul style="list-style-type: none">○ Develop and maintain audit schedule for each client○ Complete quarterly progress reports for each area of client responsibility○ Undertake regular liaison meetings with clients	

LCCIAS - Quality Assurance Improvement Programme – May 2021 – Annex 4

Role	Responsibilities (& actions required)	Evidence (& actions required)
<p>Auditors Behave at all times in accordance with the Code of Ethics / Code of Conduct. Conduct all audit engagements in accordance with audit practice standards Promote the standards and their use throughout the Internal Audit Activity Commitment to delivering quality services</p>	<p>Take full responsibility for the sufficiency of audit procedures to find out what could be reasonably found by a prudent and informed auditor.</p> <p>Display due professional care in the performance of their responsibilities – maintaining</p> <ul style="list-style-type: none"> ○ Integrity ○ Objectivity ○ Confidentiality ○ Competency <p>All work conforms to written policies and practice notes, including: -</p> <p>Engagement Planning</p> <ul style="list-style-type: none"> ○ Ensuring right resources used ○ Conduct (or be given by the Audit Manager) a preliminary assessment of the risks to the activity under review – identifying relevant information / potential significant issues ○ Determine the audit approach and scope of the review to enable the objectives of the audit engagement to be achieved and an assurance opinion to be given on the governance, risk and control arrangements of the activity. Agree this approach and the audit work plan with Audit Manager ○ Co-ordinate / correlate audit work with other sources of assurances ○ Develop and agree Terms of Engagement client brief – clearly articulating the assurance we intend to provide – scope of our work and any limitations (what we are not going to review) – 	<ul style="list-style-type: none"> • Completion of relevant case management systems sections • Working papers <ul style="list-style-type: none"> ○ System notes – with linked relevant information ○ Testing strategy / results ○ Review • Draft report • Post Audit De-Brief Document • Post Audit Questionnaire • Records of 1:1 and individual improvement actions • Performance appraisal including training and development plan • Completion of CPD where required (#7)

Role	Responsibilities (& actions required)	Evidence (& actions required)
	<p>ensure the ToE meets client expectations</p> <ul style="list-style-type: none"> ○ Adhere to planning practice standards <p>Fieldwork</p> <ul style="list-style-type: none"> ○ Adhere to working paper practice standards ○ Ensure that sufficient and relevant work has been performed to substantiate findings and that the information has been effectively reported to the client on a timely and factual basis. ○ Ensure that the steps identified in the audit plan and audit testing programme have been completed effectively ○ Identify sufficient, reliable, relevant and useful information to achieve the engagement objectives ○ Document relevant information to support testing results and the report ○ Ensure that conclusions and results are based on appropriate analyses and evaluations - should be factual, adequate and convincing so that a prudent, informed person would reach the same conclusions of the auditor. <p>Communicating results / report</p> <ul style="list-style-type: none"> ○ Adhere to reporting practice note ○ Communicate significant findings during the audit so no surprises at the closure meeting discussing the draft report ○ Draft audit report – meeting the engagement objectives and scope giving appropriate conclusions, recommendations and action plans. Provide an overall assurance opinion based on significance and importance of the finding / activity. ○ Ensure that reports are accurate, objective, clear, concise and timely 	

LCCIAS - Quality Assurance Improvement Programme – May 2021 – Annex 4

Role	Responsibilities (& actions required)	Evidence (& actions required)
	Performance <ul style="list-style-type: none"> ○ Audit engagement is delivered on time and within budget ○ Post audit debrief (PAD) is completed for all audit engagements identifying what's gone well, lessons learnt and any opportunities for improvement ○ Post Audit Questionnaire is completed for all audit engagements obtaining customer feedback ○ Audit work plan developed and agreed with Audit Manager 	

Role	Responsibilities (& actions required)	Evidence (& actions required)
External Suppliers Deliver agreed internal audit reviews	Developed and maintain Quality Assurance Improvement Programme Audit Process <ul style="list-style-type: none"> • Provide draft report and supporting working papers • Expected to follow our client engagement process and complete quality assurance documents 	Confirmation that they conform to the PSIAS Complete: <ul style="list-style-type: none"> • planning document • Audit check list • Review check list • Obtain feedback - Post Audit Questionnaire • Post Audit Debrief

Actions (due date) following review and revision of QAIP in May 2021

1. Devise internal audit strategy to be approved by Chief Financial Officer (by end of September 2021)
2. Create an internal audit manual that adequately defines policy and procedures (September 2021)
3. Build on this inaugural QAIP improvement plan including considering peer review suggestions (ongoing)
4. Revise IAS performance framework in line with County corporate requirements (June 2021)
5. Develop more regular formal assessments of IAS quality and value with key stakeholders (June 2021)
6. Re-introduce formal training plans in APR process (June 2021)
7. Introduce formal checks on professional staff completing CPD (May 2021) – **requested 25 May 2021**
8. Re-introduce HoIAS periodic second review of engagement records (May 2021) - **requested 25 May 2021**
9. Report to SMTs/governance arenas the revised Role of HoIA in LG (July 2021)
- 10. Revise Charters to reflect remote working and PSIAS controls around counter fraud (September 2021)**
- 11. Return last completed (8/20) 'Code of Ethics' to consider remote working – requested 25 May 2021**

Neil Jones, Head of Internal Audit & Assurance Service

25 May 2021

Declan Keegan, AD Corporate Resources (Finance, Strategic Property & Commissioning)

25 May 2021

MANAGEMENT COMMITTEE – 23 JUNE 2021**GROVE PARK MODIFICATION - FUTURE WAYS OF WORKING****REPORT OF THE DIRECTOR****Purpose of the report**

1. The purpose of this report is to consult Management Committee with regards to the approach to a proposed programme of works to adapt ESPO's offices at Grove Park to meet the new ways of working model.

Background

2. Government guidance on social contact and distancing during the Covid-19 pandemic has been for people to work from home wherever this is possible. Most office staff have therefore worked this way for approaching one and a half years.
3. In line with many other organisations ESPO has recognised that the Covid-19 pandemic has opened up new ways of working for office-based staff and therefore remote working is being fully embraced.
4. ESPO therefore intends to develop a future office model that reflects the needs of the organisation and staff to work flexibly whilst also meeting the needs of the customer. This model will align with ESPO's People Strategy which has an objective of ESPO continuing to be an organisation where people want to work.
5. This is consistent with guidelines and principles taken from the approach taken by Leicestershire County Council.
6. The schedule of works includes infrastructure improvements in areas such as the Wi-Fi network which will enable the new office model to be delivered and will future-proof the organisation.

Ways of Working Principles

7. There will be a variety of ways of working, based on the range of roles that exist within ESPO. These are broadly classified as staff who have to work from a fixed location and staff who have more flexibility.
8. Fixed Location – staff who work in a fixed location such as Customer Services have a specific need for access to workplace equipment to undertake their duties.

9. Fully Flexible – staff are able to undertake the majority of their role independent of a fixed location. The working week can be spent remotely with occasional attendance in the workplace.
10. These high-level principles have been established through engagement with ESPO's Heads of Service and all staff survey and feedback opportunities.
11. It is proposed that ESPO's workplace will be set up to better support collaboration, productivity, wellbeing and customer service. Space will be prioritised for activities, not individuals - flexibility is the norm and fixed desks will be kept to a minimum for operational or health reasons. Staff who require additional assistance for their wellbeing or disability may need to attend the office more often, and this will form part of ESPO's provision of reasonable adjustments. The decision on whether staff require a fixed desk will be supported by relevant Health & Safety risk assessments.
12. Staff will be encouraged to work as flexibly as possible, using a mix of workplace settings (offices, working from home, remote working) to best meet service and customer needs, and support staff wellbeing.
13. Staff in consultation with managers will be empowered to choose the most appropriate location to carry out their work with responsibility to meet service and customer needs first.
14. It is essential that all staff have access to the relevant IT equipment to best deliver their role. All corporately provided IT assets will be centrally provided and will be replaced before end of life – ensuring effective and productive technology is always in place. We will also ensure that staff have the necessary skills to use this IT equipment, and that managers are also able to support their team members remotely. New staff will also be aware of our approach through their recruitment process.
15. The success of these work modifications will be evidenced through the performance metrics set out in the balanced scorecard and other supporting data such as staff sickness rates.

Proposal

16. The design concepts are based on the offices retaining their Covid-secure accreditation. If necessary a risk assessment will be conducted by ESPO's Health and Safety team to cover any changes.
17. All staff returning to a work setting are required to attend induction training on the health and safety arrangement on site.
18. Staff who can work flexibly will use hot desks when they attend the office and will be provided with a locker for their office equipment and files.
19. IT equipment will be provided that enable lap-top users to connect via a docking system and other users will have access to desk top PC's.

20. The Wi Fi network will be upgraded to provide better coverage across the whole building enabling staff to log on anywhere in the office facility. This will also enable greater flexibility in the office layout without the need to connect a desk to a fixed network point.
21. A series of break out areas with both formal and informal seating areas, in some cases with networked screens, will be created to enable teams to work collaboratively and if required to be able to conduct virtual meetings with other stakeholders who are working remotely.
22. The programme will incorporate existing with newly-built meeting rooms and screened areas to create an inspiring working environment that meets the future needs of the organisation.
23. All meeting rooms and flexible desks will be subject to a booking system to ensure that the offices do not become congested.
24. Because some areas of the offices will have been largely un-used for 18 months it is proposed that a deep clean will be performed of all office prior to being repatriated.
25. It is envisaged that this will be ready for gradual occupation from October 2021.

Communications

26. Office staff will be briefed on the overall plan and invited back to the offices ahead of the refurbishment programme on a rota basis to remove any unwanted office belongings.

Costs & Timescales

27. The costs of the refurbishment will be met from existing building reserves.
28. ESPO's project manager will work in conjunction with the facilities team and external suppliers to deliver the refurbishment programme on the ground. Depending on suppliers and equipment lead-times the new layouts will take shape in the summer recess when most schools are closed. This will provide time to safely manage the movements and installations on each floor. It is envisaged that the offices will be ready for progressive occupation starting from October 2021.
29. A further update will come to the September Management Committee providing more detailed costings, schematics and timetables as required.

Recommendation

Members of Management Committee note and support the contents of this report.

Officer to contact

Kristian Smith, Director

k.smith@espo.org

Tel: 0116 265 7887

MANAGEMENT COMMITTEE – 23 JUNE 2021**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 17 March 2021.

Overall Financial Performance

2. The Finance and Audit Sub-Committee considered the Draft Outturn 2020-21 and budget setting 2021-22 report at its meeting on 26 May 2021. A full finance report to Management Committee for approval is covered elsewhere on the agenda.

Executive Summary

3. For the full year a surplus of £4.6m has been created. This is £0.7m lower than the original budget (which was approved before the Covid pandemic).
4. The £4.6m surplus is better than the latest guidance issued to Management Committee in March 2021, which estimated the surplus to be circa £4.0m. Schools reopened on the 8th March and trading in March far exceeded our expectations throughout the entire month. Pleasingly, the positive momentum which started in March has continued into April and May.
5. In addition, as we start to emerge from the pandemic with greater optimism, and recognising the challenging financial position that some members may find themselves in, we have taken the opportunity to review our balance sheet in detail at the year end and slightly reduce the level of prudence in some assumptions to a more normal level.
6. The £4.6m trading surplus is a pleasing result, albeit less than last year. We estimate therefore that the dividend to owners will be approximately 17% lower than the previous year.

Financial Performance**Sales and Margin**

7. Sales for the year reached £79.0m and were 10% lower than both budget and last year. Rebate income from our frameworks remained strong and delivered £8.3m which was £0.2m ahead of budget.

8. Stores sales were £41.7m which were 7% lower than budget.
9. Stores gross profit margin was 31.1% which was 1.4%p (percentage points) higher than budget and 2.0%p higher than last year.
10. Directs sales were £15.0m and 22% lower than budget. Customers delayed from purchasing some of the bigger and less priority items (white goods, tables, chairs, storage) with their focus shifted to responding to the Covid crisis.
11. Gas sales of £13.1m were 13% lower than budget, with lower consumption by customers from building closures/reduced occupancy linked to Covid restrictions. Our gross profit margin % on gas is very low at 2.4% and so this had minimal impact on overall profitability.
12. Rebate income at £8.3m has continued to grow, even during the pandemic, and is ahead of both budget and last year.
13. Catalogue and other income are largely in line with budget, although we did see lower investment income as a result of ceasing investing our cash deposits at the early stages of the Covid pandemic (18th March 2020 – 12th June 2020) when there was a high level of volatility. After this, funds were gradually reinvested in stages but interest rates have remained very low.

Expenditure

14. Total expenditure at £20.0m is in line with budget and overheads have been tightly controlled across the business in a challenging year.
15. Overheads as a % of sales (excluding gas) is 30.4%. Whilst 2.8% higher than budget this is consistent with the trend seen during 2020/21. This comes from lower sales volumes, and a limit on the extent to which our cost base can be flexed down when we see a large reduction in sales. We also saw additional costs to operate in a Covid-Secure way including additional IT costs to support working from home, and in the warehouse the introduction of zonal picking to enable social distancing and a 15-minute reduction in shift length which reduced the warehouse pick rate.
16. Employee costs are £0.2m lower than budget with a small number of vacancies and a number of staff being placed on furlough during the course of the year so that ESPO, like many trading organisations, could participate in the government's Coronavirus Job Retention Scheme.

ETL and Eduzone

17. ETL and Eduzone have together made a surplus of just under £50k. This is in line with budget and £97k better than last year. As with ESPO, trading was difficult as a result of Covid, but costs were tightly controlled with lower marketing spend. This was partly as a result marketing activity relating to My

School Fund which was moved into April 2021 with the third school lockdown finishing on 8th March and the new ESPO website going live at the start of April.

Forward look to 2021/22

18. The Budget for 2021/22 is a trading surplus of £5.1m (including Eduzone/ETL).
19. Trading during April and May 2021 has started well, continuing the positive momentum seen after schools reopened in March 2021.
20. At this early stage in the year our current expectation for the 21/22 Outturn remains the budget, i.e. a recovery year with a trading surplus of £5.1m.

ESPO Operational Progress

21. In April ESPO's distribution centre processed 95,000 order lines, valued at £2.550m and the transport fleet with couriers made 13,259 deliveries. Warehouse picking was performed at a rate of 31 lines per hour. Covid-19 related social distancing measures, reduced shift lengths have continued to impact on productivity throughout the period. The error rate detected by QA was 6% against the target of 3%. This has been addressed through a training plan in the goods-out section. The average order value for stock orders in April was £156.79 which is £55.20 lower than this time last year when there was fewer but larger orders being placed during the Covid crisis. Operational and IT costs YTD were £914k against a budget of £879k, which is £35k above budget. IT payroll costs and hardware purchases offset below-budget expenditure elsewhere. Stores margin was 31.2% which is in line with budget.
22. Activity levels across all customer channels increased significantly in April. The Customer Services team processed 18,355 customer orders, up 300% on April 2020. Online and electronic converted orders in April were at 52% of the total. Direct orders currently valued at £1.159m are being managed from suppliers to customers, a total of £252k are overdue and the late suppliers are being expedited by the customer services team. The team handled 7,052 telephone calls, with an average waiting time of 8 seconds against a target of 30 seconds.
23. We received 47 service ratings from customers on FEEFO, averaging 4.1/5 providing an 82% satisfaction rating. Most positive ratings relate to service and delivery. In conjunction with ESPO's IT team Customer Service are introducing a cloud-based VOIP telephony solution to replace the current infrastructure. This will enable calls to be diverted and handled by all ESPO staff working remotely through a variety of devices such as lap-tops, tablets, desk tops and smart phones. The solution provides improved resiliency for ESPO as well as improved management and performance information. The

use of call recording in the contact centre will enable service improvements through root cause analysis and staff training.

24. The stock optimisation team achieved product availability to 97.5% with 246 lines (£69k order value) out of 9,871 temporarily unavailable; stock value was £7.681m with a stock turn of 5.7. There have been a few issues with suppliers who rely on overseas sourcing and alternatives are being considered where appropriate. ESPO continues to rely on external storage to manage its stock holding requirements. This includes exercise book stock held at KCS in Maidstone and by its printer in Poland.
25. Facilities management in April was comprised of inspection of the warehouse fork lift trucks, installation of new strapping machines and new line marking in the service yard. Repairs were made to the air handling units, gas boilers, warehouse lighting and the powered conveyor equipment. The goods-out racking was life-expired and was replaced with new racking. Preparations are underway for adapting the Grove Park offices to reflect the needs of the organisation and staff to work flexibly. A paper setting this out is included elsewhere in the agenda.
26. Health and Safety recorded one minor injury in April when an agency worker sustained a cut hand. Full induction and shadowing had been completed outlining the risk of cuts and how to avoid. ESPO's annual health and safety action plan for 2021/22 was reviewed by the Leadership Team. This sets out the actions that are needed to ensure that ESPO remains compliant with the relevant regulations and covers areas such as manual handling, electrical safety transport operations and training.
27. ESPO's building remains Covid-19 secure and monthly Covid-19 self-assessments are returned to the LCC recovery group. There is continued monitoring and increased cleaning schedules by in-house staff and external cleaning contractors. The Health & Safety team are managing the access to site for any staff who need to visit the site for any reason. A joint consultative committee meeting was held with unions with no significant issues raised. A Covid-19 lessons learnt log was completed and shared with the Silver Business Continuity Team for future planning.
28. The IT helpdesk handled 494 enquiries and 60 satisfaction responses, monitored, through the new IT service management tool, showed 58 rated as 'good'. There were some connectivity issues associated with the Pulse VPN and these were managed by the team. The IT team supported a number of business projects associated with the new web-site; the uploading of new buying price and selling prices onto System 21 in preparation for the catalogue launch and the launch of the Oracle-Fusion HR portal.
29. Migration of the Microsoft Outlook email system from an on-premise to the cloud has begun with a large number of users now migrated to Exchange Online. This process will also provide a level of security against the Hafnium vulnerability. In this context all staff passwords on the network were changed in April.

30. A system refresh is being prepared on the Infor ERP system in 2021 to ensure that the operating system and middleware are on the latest version and fully supported. A project plan has been uploaded to ITSM and it is planned to deploy the system upgrade in October/November 2021.
31. In respect of the new warehouse development which is scheduled to be built at Leaders Farm in Lutterworth. This is currently at the pre-application planning stage. All plans and reports are prepared for submission once the pre-application process has been completed and we await the outcome.

Staffing

32. ESPO's People Strategy for 2021-24 is focused on clear deliverables for our staff, building on our strengths and underpinned by the drive to continuously improve. This strategy sets out the aims and objectives that we will achieve across ESPO, with objectives for our people being aligned with both our annual commercial plans and also our four year medium financial term strategy (MTFS).
33. This strategy is broken down into three distinct areas of work, the first being 'Leadership & Management' which includes objectives around the skill development of middle managers, aspiring managers and the provision of executive coaching. Office based managers will be required to use different skills to engage and support teams in their performance, and our staff need to have the necessary IT skills to improve their own digital capacity. It is therefore vital that we have strong leadership and a workforce who can adapt and be flexible to accommodate future changes that will need to be made to our service delivery models.
34. The second area of 'Workplace & Culture' covers objectives including recruitment and retention, equalities and staff wellbeing. The ESPO culture will be flexible and agile, supporting individuals to succeed. Our future recruitment methods will strongly promote the hybrid working model (where appropriate for the role) and our organisational values, and this will positively affect the range of applications that we receive.
35. Finally, 'Performance Management' will focus on Annual Performance Reviews, supervisions and attendance management. Managers will continue to manage staff by their work outcomes, rather than by their physical presence in the office. ESPO will also maintain our low sickness absence levels by continuing to provide support and reasonable adjustments for our staff.
36. Our adherence to the organisational values will be prevalent through this work, as they ensure our work is done with purpose. Our progress will be monitored and reviewed regularly through the ESPO Leadership Team with updates to the Trade Unions via the Joint Consultative Committee (JCC) and our staff via the Employee Engagement Group (EEG).

ESPO Risk and Governance Update**Health, Safety, Wellbeing and Facilities Management & Corporate Risk Register**

37. 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 B.

Resources Implications

None arising directly from this report.

Recommendation

Members are asked to note and support the contents of this report.

Officer to Contact

Kristian Smith, Director
k.smith@espo.org
Tel: 0116 265 7887

Appendices

Appendix A: Balanced Scorecard
Appendix B: CRR extract

Management Summary Apr 21

Management Summary

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Stores Sales	£2,556,652	£2,108,753	↑ 21.2%	£2,556,652	↑ 21.2%
Direct Sales	£1,096,498	£492,711	↑ 122.5%	£1,096,498	↑ 122.5%
Rebate plus fee income	£796,301	£445,765	↑ 78.6%	£796,301	↑ 78.6%
Total Sales (Exc Gas)	£4,444,869	£3,050,138	↑ 45.7%	£4,444,869	↑ 45.7%
Stores Margin %	31.17%	31.27%	↓ (0.10%)	31.17%	↓ (0.10%)
Directs Margin %	11.46%	14.58%	↓ (3.12%)	11.46%	↓ (3.12%)
Total Gross Margin inc Consumables Cost	£1,750,306	£1,221,222	↑ 43.3%	£1,750,306	↑ 43.3%
Total Expenditure	£1,759,720	£1,781,578	↑ 1.2%	£1,759,720	↑ 1.2%
Surplus	(£9,415)	(£60,357)	↑ £50,942	(£9,415)	↑ £50,942
Net Profit Margin %	(0.21%)	(1.83%)	↑ 18.16%	(0.21%)	↑ 18.16%

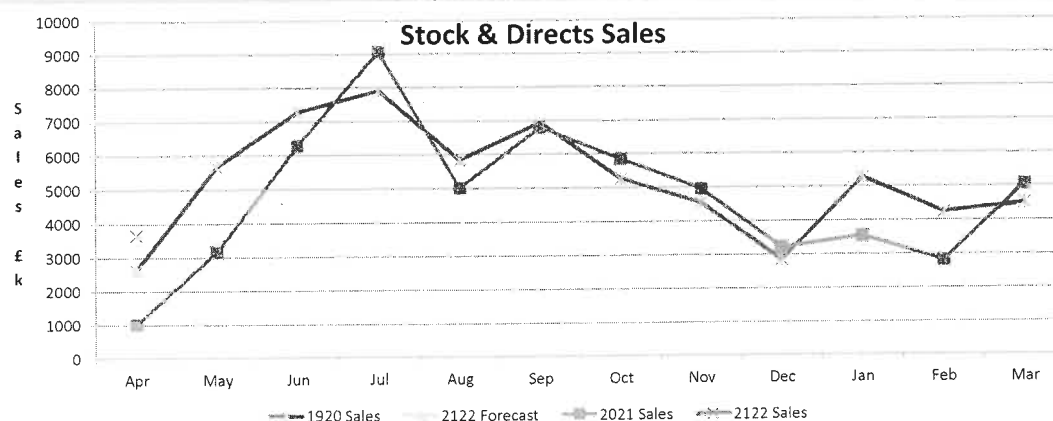
Operations cost as a proportion of sales	44.1%	53.6%	↓ (9.49%)	44.1%	↓ (9.49%)
Expenditure as a proportion of Gross Margin	109.1%	122.5%	↓ (13.42%)	109.1%	↓ (21.31%)

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Eduzone Sales	£53,080	£40,800	↑ 30.1%	£53,080	↑ 30.1%

Customer Order KPI's

	TY YTD	LY YTD	Var
AOV	£156.79	£211.99	↓ (£55.20)
Prop of orders over £15	97.2%	95.8%	↑ 1.34pp

Graph - Sales vs. Forecast



This page is intentionally left blank

Appendix B

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 06/10/2020) Impact	Current Risk Score (as at 06/10/2020) Likelihood	Current Risk Score	Risk Action Tolerate / Treat / Transfer / Terminate	Further Action / Additional Controls	Action Owner	Action Target Date	Q1 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	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. 27/11/20 Reviewed - no further action
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 5. On-going Covid-19 secure monitoring by ESPO Health and Safety Advisor and LCC.	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 & IT	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. 26/11/2020 24.11.2020 Monthly update on GP
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 & IT	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. 12. Medium/ Long Term Solution the provision of additional ESPO bulk warehousing space	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. Paper subsubsequemntly presented and findings validated. August/ September 2020 Business case prepared proposing an ESPO Bulk store warehouse. This was subsequently presented to both COG and the Management committee	AD Operations & IT	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. September 2020 Development of a Bulk Store Warehouse in conjunction with LCC approved by The Management Committee 26/11/2020 3 month delay to Leader's Farm development. Extension to current agreement with KCS being drafted 26.11.2020

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 06/10/2020) Impact	Current Risk Score (as at 06/10/2020) Likelihood	Current Risk Score	Risk Action Tolerate / Treat / Transfer / Terminate	Further Action / Additional Controls	Action Owner	Action Target Date	Q1 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 10. Promotion of settlement scheme to staff	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. Turnover and vacancy rates	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. Identify all goods directly imported from EU. Engage customs agent to meet our obligations as a 'declarant' for goods entering the UK from the EU. Identify commodity codes of all goods directly imported from EU to review WTO terms for tariffs. Ensure Finance team are aware of relevant HMRC protocols for VAT deferment and payment of quarterly VAT for imported goods. EU import sub-group formed to manage and monitor progress.	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. 05.10.2020 the working risk paper in ESPO is due for it's latest iteration across ESPO. Further Actions updated.
78	Coronavirus	1. 'Stock supply shortages for products or components that are made in China. With consequential effects in UK manufacturers production capability. 2. 'Staff shortages in all ESPO functional areas due to high sickness rates. 3.'School closures to reduce infection spread. 4. 'Overall economic impact on ESPO's business activities due to sluggish restoration of international supply chain.. • Staff complacency and not adhering to controls in place. • All risks as identified previously coming to fruition due to further restrictions introduced. • Supply chain disruption in the event of further lockdowns both in UK and Worldwide. • On-going school closures / partial closures.	Director	4	4	16	Treat	1. 'Set up an internal team tasked with managing ESPO's activities and communications in response to the health crisis. 2. 'Monitor updates and advice from WHO and UK government . 3. 'Maintain regular communications with customers, staff and stakeholders. 4. ESPO continue to promote good handwashing and hygiene practices and have increased the availability of antibacterial wipes and cleaning equipment.Contractd cleaning contractors disinfect door handles and hand rails as part of our contract. 5.Should a member of staff contract coronavirus EPSO will liaise with PHE directly at County Hall and follow any recommendations. 6. Should isolation be required our Smarter Working Policy provides guidance on staff working from home and where necessary individual risk assessments will be completed. In the event there is a requirement for an extended number of staff to work from home all available lap-tops provide to staff across the business will be recalled and distributed accordingly.. 7. Assess suppliers shortages through daily phone contact by Stock Optimisation team. 8. Work closely with staff agency	1. Weekly stock availability reports with supplier shortages and failed customer orders. 2. Weekly 'staff sickness records attributable to the coronavirus. 3. Weekly trading analysis • Continued enforcement of existing controls by managers • Continued staff briefings and reminders. • On-going Covid-19 secure monitoring by ESPO Health and Safety Advisor and LCC.	4	3	12	Treat	1. Align staff policies to LCC guidelines. 2. Assess trading impact on financial forecasts. 3. Understanding of alternative sources of catalogue products. 4. Regular meetings of the internal team 5. Ongoing communications with all relevant parties through web site, weekly comms and formal reports. 04.03.2020 ESPO update on Coronavirus Report discussed at Mngmnt Committee. 06.03.2020 Teleconference with LCC. • All risk assessments and guidance fully aligned with LCC. • Internal meetings took place regularly during height of pandemic. Frequency reduced due to new 'BAU'. Would resume if required. • Comms on-going	Director	Ongoing	02/03/2020 Reviewed - no change. 05/03/2020 Further Actions Updated. 08/06/2020 New Covid-19 risk assessments and safe system of work created to ESPO building & operational protocols. Site Inspection on 27th May 2020 with further remedial actions required - this needs to go in the box above 07/10/20 • ESPO headquarters was audited by Leicestershire County Council and formally declared 'Covid-19 secure' on 22.06.2020. • Considerable controls are in place to minimise the risk of contracting Covid-19 on site including; increased cleaning schedules, staff inductions, one-way systems, application of microbe shield, face coverings to all public facing roles, strict 2m distancing and increased signage. • The risk of contracting Covid-19 whilst on ESPO property is considered low. • The ESPO depot located in Wales was audited and formally declared 'Covid-19 secure' on 25.06.2020 26/11/2020 24.11.2020 Monthly update on GP Covid-secure status sent to LCC

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 06/10/2020) Impact	Current Risk Score (as at 06/10/2020) Likelihood	Current Risk Score	Risk Action Tolerate / Treat / Transfer / Terminate	Further Action / Additional Controls	Action Owner	Action Target Date	Q1 Comments / Updates
79	IT Cyber Security. Range of cyber security threats	Failure to adequately protect ESPO networks, systems and data from malicious attack could lead to a range of potential consequences, including; financial; reputational; operational; legal impacts or other losses.	AD Operations & IT			20	Treat	Range of protections/controls in place, including (but not limited to): 1) Firewalls (outer defences, controlling the border of ESPO network) 2) Automated Threat Protection system (assesses various incoming data (eg emails) for potential threats) 3) Antivirus software (Prevents known viruses from executing on ESPO devices) 4) Authentication systems (Controls who can access ESPO systems and data) 5) Staff education (Reduces risk of successful phishing attack) 6) Anti-Ransomware backup solution (prevents hackers from encrypting our backups) 7) External security controls Audit (Highlights areas of concern in ESPO security systems) 8) Penetration testing (probes the ESPO network for vulnerabilities) (Needs further expansion/detail)	1) Firewall logs (contain details on network traffic, including hostile attacks on the ESPO network) 2) Firewall Reports (Daily, weekly, monthly reports on network traffic) 3) External security support partner monitoring (Various support partners issue regular threat alerts) 4) various event logging - systems that monitor and alert on potential concerns (this is a weak area for ESPO and will be reviewed) (Needs further expansion)			14	Treat	1) Multi-factor Authentication for remote access 2) PKI server for device authentication 3) Revised password policy 4) New Remote Working Policy 5) Penetration Testing 6) DR Testing 7) Staff Training 8) Staff awareness 9) CyberEssentials+ 10) InfoSec Policy Review 11) CyberSecurity Support contract 12) System 21 upgrade 13) Security Health check 14) Patching Policy 15) NCSC Active Cyber Defence programme 16) CyberSecurity Risk Register 17) Cyber Insurance 18) LCC Audit Response 19) Cyber Security Roadmap 20) CyberSecurity Incident Response The above are either in flight or planned. A supplementary document "ESPO IT Security Plan - April 2021" expands in detail. Recommend to create a Cyber	AD Operations & IT	Q1 2021/ongoing	01/10/2020 - new entry 26/11/2020 24.11.2020 Liaison with LCC on cyber security through regular meetings
80	The Green Paper for Transforming Public Procurement contains areas of potential risk for ESPO. Lack of clarity around proposals at this stage adds to the concern. Main areas of concern are: Proposal for more flexible procurement procedures may devalue the protection afforded by frameworks. Customers may decide to procure themselves. More flexible procedures lacking detail - risk to ESPO if it attempts to pioneer use of these. Increased transparency rules bring greater administrative and compliance burdens and unclear expectations from Cabinet Office exposes contracting authorities to litigation risk.	Customers may choose to undertake their own procurements and not use frameworks - fall in rebate income. Risk of court challenge if new procedures used incorrectly. Current procurement structure may need reassessment to ensure compliance with transparency rules. Risk of being sued for inappropriate transparency or for not being transparent enough.	AD Commercial	5	3	15		Monitoring contracts finder/ find a tender and closer monitoring of customer procurement pipelines Better engagement through CRM'S Continued engagement with legal advisors to gauge customer tendencies Canvass opinion from member authorities to understand what it means to them/what their intentions are. Manage customer messages to intensify the 'safe framework' message. ESPO stick with Open Procedure until new flexible procedures are clarified and tested. Ensure procurement team is adequately resourced to ensure transparency compliance. Create a Transparency/Governance unit within procurement. Update processes & procedures to reflect new requirements.	Fall down in number of customers using our frameworks. Insufficient resource to manage increased administration required.	5	3	15			AD Commercial		

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank