



## **ESPO FINANCE AND AUDIT SUBCOMMITTEE – 11 MAY 2022**

### **INTERNAL AUDIT SERVICE**

## **PROGRESS AGAINST THE 2021-22 and 2022-23 INTERNAL AUDIT PLANS**

### **REPORT OF THE CONSORTIUM TREASURER**

#### **Purpose of the Report**

1. To provide a summary of Leicestershire County Council Internal Audit Service's (LCCIAS) work to the Subcommittee and highlight any audits where high importance (HI) recommendations and/or partial assurance opinions have been made and the position against implementing actions required.

#### **Background**

2. The Consortium Treasurer (the Treasurer) is responsible for the proper administration of ESPO's financial affairs. In accordance with ESPO's Financial Regulations Rule 15, specific responsibility for arranging a continuous internal audit is delegated to the Treasurer. Under its terms of reference, the Finance and Audit Subcommittee (the Subcommittee) should receive and review audit and governance reports. The Subcommittee also monitors the adequacy and effectiveness of the internal audit service provided to ESPO. To achieve this, the Subcommittee is provided with periodic progress reports.
3. The audits undertaken are based on the Annual Internal Audit Plan (the Plan). Variations to the Plan can occur but need to be considered with and agreed by the Treasurer and the Director of ESPO.
4. The 2021/22 and 2022/23 Plans were approved by the Management Committee on 17 March 2021 and 16 March 2022 respectively. The scope of the audits and progress against them is shown in Appendix 1 and 2 respectively.

## **Summary of Progress**

### Audit Opinion:

5. Where audits undertaken are an 'assurance' type i.e. the auditor is able to objectively examine evidence for the purpose of providing an independent assessment, then an 'opinion' can be given i.e. the level of assurance that material risks are being managed. The sum of individual engagement opinions assists the Head of Internal Audit Service (HoIAS) to form an annual opinion on the overall adequacy of ESPO's control environment, comprised of its governance, risk management and internal control framework. There are four levels of assurance: full; substantial; partial; and little. A report that has a high importance (HI) recommendation would not normally get an opinion above partial assurance. Exceptions would be where the controls are sound but there is a high importance efficiency recommendation.
6. Consulting/advisory audits do not result in an opinion but are taken into account in the HoIAS annual opinion.

### Partial Assurance opinion rating:

7. There has been one partial assurance opinion audit rating in our 21/22 coverage in relation to a Cyber Security Audit. The audit identified three high importance recommendations in the following areas:

- Securing and/or decommissioning old legacy systems
- Logging/monitoring of the network and key applications
- Developing a Cyber Security Incident Response Plan

In addition, there were a high number of standard recommendations made and accepted and so due to the volume and nature of the recommendations a follow up piece of work has also been put in the 22/23 plan.

8. There is also one 20/21 legacy partial assurance audit in respect of Credit Control. The audit identified the need for control improvements in the following areas: -

- Defined procedures
- Credit Control Policy
- Debt Management Policy
- Suitably Qualified and Trained Staff adhering to policies/procedures
- Timely Management Information
- System Access
- Effective link between the management of credit and the supply of goods and/or services
- Financial regulations embedded into business processes
- Segregation of Duties

Whilst testing of the majority of these areas has now been completed, for efficiency reason, testing of the remaining parts is being completed at the same time as our General Financial Systems audit coverage. This work is due for completion before the end of the June 2022 and so progress against the partial assurance audit will be reported back to the next relevant committee meeting.

### In year changes to plan:

9. As reported and approved previously in February, there were three deferred/cancelled audits which were more than offset by six unplanned jobs that were completed during the financial year as follows:

Details	Job Reference	Auditable Areas
Plan approved on 17 March 2021		16
Additional areas audited under 'emerging issues'	M1 & M2	2
Additional areas audited under 'Contingency'	R1, R2, R3 & R4	4
<b>Sub-total</b>		<b>22</b>
Less deferred or cancelled jobs	D, F & P	3
<b>Total</b>		<b>19</b>

### 2021/22 Progress to closedown

10. A summary of progress is as follows: -

<u>Type</u>	<u>Number</u>	<u>Opinion</u>	<u>Reference</u>
Current year completed work/completed consultancy work	16	1 x Prior Year	22-A
		1 x Partial Assurance	22-C
		1 x Substantial Assurance	22-G
		1 x Draft Reports i.e. but currently substantial assurance	22-M2
		6 x Planned	22-B, 22-H, 22-J, 22-K, 22-

		advisory and/or Consultancy Complete  2 x Complete for 21/22 but work straddles two financial years  4 x Unplanned advisory and/or consultancy – all complete	L, 22-M(1).  22-E, 22-Q,  22-R(1), 22-R(2), 22-R(3), 22-R(4)
Work in progress	3	N/A	22-I, 22-N, 22-O
Cancelled/ Deferred Audits	3	N/A	22-D, 22-F & 22-P

11. The three audits still classed as work in progress have been transferred into the 2022/23 Internal Audit plan and will be completed in the first quarter. It should be noted however that several audits from the 2022/23 plan have been started early to offset these three outstanding audits from the 2021/22 plan – see further below.
12. Appendix 1 provides more detail in respect of progress against the 2021-22 plan. Audit reference numbers (in the sequence of the agreed internal audit plan) and type (governance, risk management and internal control) have been added to track each audit's progress.

#### 2022/23 Progress to date

13. A summary of progress against the 2022/23 plan is as follows: -

<u>Type</u>	<u>Number</u>	<u>Opinion</u>	<u>Reference</u>
On-going consultancy work	2	2 x On-Going Advisory	22/23-F, G,
Work in progress	11	Work in progress	22/23-A, B, C, D, I, L, M, N, O, Q, R

Not started	6	N/A	22/23-E, H, J, K, P, S
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13. The above table demonstrates that considerable early progress has been made with 22/23 audits.
14. Appendix 2 provides more detailed progress against the 2022-23 plan. Again, audit reference numbers (in the sequence of the agreed internal audit plan) and type (governance, risk management and internal control) have been added to track each audit's progress.

### **Recommendation**

15. That the contents of the report be noted.

### **Equal Opportunities Implications**

16. There are no discernible equal opportunities implications resulting from the audits listed.

### **Background Papers**

Report to ESPO Management Committee 17 March 2021 – Annual Internal Audit Plan 2021/22

Report to ESPO Management Committee 16 March 2022 – Annual Internal Audit Plan 2022/23

### **Officer to Contact**

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### **Appendices**

Appendix 1 - Summary progress against 2021-22 audits as at May 2022

Appendix 2 - Summary progress against 2022-23 audits as at May 2022

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