



## **ESPO FINANCE AND AUDIT SUBCOMMITTEE – 15 FEBRUARY 2023**

### **INTERNAL AUDIT SERVICE - PROGRESS AGAINST THE 2022-23**

#### **INTERNAL AUDIT PLAN**

#### **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 2022-23 Plan was discussed at Finance and Audit Sub Committee on 2 February 2022 and subsequently approved by Management Committee on 16 March 2022. The scope of the audits and progress against them is shown in the Appendix.

## **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. 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. 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
6. Consulting/advisory audits do not result in an opinion but are taken into account in the HoIAS annual opinion.

### **High Importance Recommendations**

7. From the 2021/22 General Financial Systems Audit (concluded in the first quarter of 2022/23) we were able to test and, subject to approval from this committee, close one legacy partial opinion report in respect of our 2020/21 Credit Control coverage.
8. The 2021/22 Cyber Security Audit (concluded in the first quarter of 2022/23) resulted in a partial opinion report with three high importance recommendations being made. Given the significantly increased global risk of a major cyber issue, extensive follow up work was carried out and, as reported in year to Management Committee, two of the three high importance recommendations were lifted. One high importance recommendation (in respect of legacy systems) remained partially outstanding and so this will be reviewed along with other remaining recommendations as part of our 2023/24 coverage. A further update will be made to this committee at its next meeting.
9. It is pleasing to note that to date our 2022/23 coverage has not resulted in any other high importance recommendations and/or partial opinion reports.

### **In year changes to the Plan:**

10. The plan is a live document subject to changes to address the most critical business risks to the organisation at any given time. The plan approved by Management Committee on 16 March 2022 comprised 18 auditable areas (excluding contingency and client management).

In year changes have been as follows:

Details	Job Reference	Auditable Areas
Plan approved on 16 March 2023		18
Additional area being audited under 'contingency' in respect of Temporary Health & Safety, Business Continuity & Security Risk Mitigation Procedures in place during the Warehouse Expansion Project	22/23-S	1
<b>Sub-total</b>		<b>19</b>
Less deferred job to be completed in 2023/24 once the Procurement Bill has gone through Parliament.	22/23-E	1
<b>Total</b>		<b>18</b>

### 2022-23 Progress to date

11. A summary of progress is as follows: -

<u>Type</u>	<u>Number</u>	<u>Opinion</u>	<u>Reference</u>
Current year completed to at least draft report stage or on-going consultancy work	9	1 x Prior Year  1 x Final Report – Substantial Assurance  2 x Draft Reports i.e. Opinion TBC  5 x Advisory	22/23-A  22/23-P  22/23-O & 22/23 -Q  22/23-B, 22/23-C, 22/23-F, 22/23-G & 22/23-J
Work in progress	9	N/A	22/23-D, 22/23-H, 22/23-I, 22/23-K, 22/23-L, 22/23-M, 22/23-N, 22/23-R & 22/23-S

12. It should be noted that of the 9 jobs that are currently work in progress, 5 are required to be undertaken in the final quarter for various reasons and a further one will straddle two financial years and so specific time has been allowed in the 23/24 plan to reflect this.

13. The Appendix summarises progress against the 2022-23 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.
14. The HoIAS provided input to the proposals to change meeting dates for the Subcommittee and the revisions to its Terms of Reference. The Internal Audit Charter will be updated to reflect the Subcommittee's proposed delegated powers to receive and approve internal audit reports.
15. Changes to the service level agreement covering internal audit provision, proposed by the Assistant Director - Finance and Business Development are under review.

### **Recommendation**

16. That the contents of the report, any associated virements and also the current position in respect of high importance recommendations and/or partial opinion report(s) be noted.

### **Equal Opportunities Implications**

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

### **Background Paper**

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

### **Officer to Contact**

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**Appendix**

Appendix - Summary progress against 2022-23 audits as at 31 January 2023

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