



ESPO FINANCE AND AUDIT SUBCOMMITTEE – 11 OCTOBER 2023

INTERNAL AUDIT SERVICE - PROGRESS AGAINST THE 2023-24

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 approve Internal Audit annual reports (annual plans, progress and annual reports, and the Internal Audit Charter), escalating high importance recommendations and significant governance concerns to Management Committee for review. 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 2023-24 Plan was discussed at Finance and Audit Subcommittee on 15 February 2023 and subsequently approved by Management Committee on 22 March 2023. 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.
6. On occasions, the audit might require a high importance (HI) recommendation, denoting that (based upon a combination of probability and impact) in our opinion a significant weakness either exists or potentially could arise and therefore the system's objectives are seriously compromised. A report that has a 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.
7. 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
8. Consulting/advisory audits do not result in an opinion but are taken into account in the HoIAS annual opinion.

High Importance Recommendations

9. Within the 2021/22 Cyber Security audit (and resultant 2022/23 follow up), there remained one high importance recommendation to be implemented (in respect of de-commissioning legacy systems). The one outstanding issue related to an insecure process used specifically for ordering within the legacy system. Evidence has been obtained that this element has been replaced with another more secure product that does not have these vulnerabilities. Subject to approval from this committee, our subsequent retesting has confirmed that this recommendation has now been adequately addressed.
10. It is also pleasing to note that to date our 2023/24 coverage has not resulted in any other high importance recommendations and/or partial opinion reports.

2023-24 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	5	1 x Prior Year allocation to finalise 22/23 audits	23/24 – A <i>(Covering prior year audits: 22/23-D, I, K, L, M, O & Q)</i>
		<i>(Covering 7 audits) – All substantial assurance</i>	
		1 x Final Report – Substantial Assurance	23/24 - P
		1 x Follow Up report i.e. no opinion required	23/24 - C
		2 x Advisory	23/24–G & Q
Work in progress	13	N/A	23/24 - B, D, E, F, H, I, J, K, L, M, N, O, R

12. It should be noted that of the thirteen audits that are currently classified as work in progress, two are required to be undertaken in the final quarter due to sample size requirements, two cannot be progressed further yet due to business and legislative requirements respectively, and a further five will be on-going work throughout the financial year.
13. The Appendix summarises progress against the 2023-24 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 reviewed and commented upon the draft Annual Governance Statement

Recommendation

15. That the Committee notes

- a) the addressing of the final high importance recommendations in respect of cyber security; and
- b) that there are no other high importance recommendations within the Committee's domain.

Equal Opportunities Implications

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

Background Paper

Report to ESPO Management Committee 22 March 2023 – Annual Internal Audit Plan 2023-24

<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=704&MId=7196&Ver=4>

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Appendix

Appendix - Summary progress against 2023-24 audits as at 22 September 2023