



## **ESPO FINANCE AND AUDIT SUBCOMMITTEE – 14 FEBRUARY 2024**

### **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 the 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. It is pleasing to note that to date our 2023/24 coverage has not resulted in any other high importance recommendations and/or partial opinion reports and there are no legacy high importance recommendations from previous financial years.

**2023-24 Progress to date**

10. A summary of progress is as follows: -

<b><u>Type</u></b>	<b><u>Number</u></b>	<b><u>Opinion</u></b>	<b><u>Reference</u></b>
Current year completed to at least draft report stage or on-going consultancy work	10	<p><b>1</b> x Prior Year allocation to finalise 22/23 audits</p> <p><i>(Covering 7 audits) – All substantial assurance</i></p> <p><b>3</b> x Final Report – Substantial Assurance</p> <p><b>2</b> x Draft Report</p> <p><b>1</b> x Follow Up report i.e. no opinion required</p> <p><b>3</b> x Advisory</p>	<p>23/24 – A</p> <p><i>(Covering prior year audits: 22/23-D, I, K, L, M, O &amp; Q)</i></p> <p>23/24 – I, K, P</p> <p>23/24 – D, E</p> <p>23/24 - C</p> <p>23/24–B, G &amp; Q</p>
Work in progress	8	N/A	23/24 - F, H, J, L, M, N, O, R

11. It should be noted there are valid reasons for all of the eight audits that are currently classified as work in progress and these are summarised as:
- i. two are required to be undertaken in the final quarter due to sample size requirements
  - ii. one is to be conducted at the same time as one of the audits above for synergy reasons (i.e., same staff needed for both)
  - iii. two had progressed as far as they could at this stage due to business and legislative requirements respectively
  - iv. three relate to on-going work throughout the financial year
12. 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.

**Recommendation**

13. That the Committee approves the Progress against the 2023-24 Plan report and notes that there are no high importance recommendations within the Committee's domain.

**Equal Opportunities Implications**

14. 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**

Summary progress against 2023-24 audits as at 31 January 2023