



ESPO FINANCE AND AUDIT SUBCOMMITTEE – 12 FEBRUARY 2025

INTERNAL AUDIT SERVICE - PROGRESS AGAINST THE 2024-25

INTERNAL AUDIT PLAN

REPORT OF THE CONSORTIUM TREASURER

Purpose of the Report

1. The purpose of this report is to provide the Finance and Audit Subcommittee (the Subcommittee) with a summary of work undertaken by Leicestershire County Council's Internal Audit Service (LCCIAS) during the period 1 April 2024 to 29 January 2025.

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 reports (annual plans, progress and annual reports, and the Internal Audit Charter), escalating any 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 2024-25 Plan was approved by the Subcommittee at its meeting on 14 February 2024. The scope of the audits and progress against them is shown in the Appendix to this report.

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 systems 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 (HI) Recommendations

9. It is pleasing to note that to date 2024-25 coverage has not resulted in any HI recommendations and/or partial opinion reports and there are no legacy HI recommendations from previous financial years.

2024-25 Progress to date

10. 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	8	1 x Prior Year allocation to finalise 23-24 audits	24-25 – A 5 x Advice concluded Covering prior year audits: 23-24 (F, J, N. O & R). 3 x Final Report – Substantial Assurance

			Covering prior year audits: 23-24 (H, L & M).
	11	Final Reports	<p>Annual Governance - Areas for further development</p> <p>Cyber - Advisory Follow Up</p> <p>Warehouse Expansion Project Board – Advisory Complete</p> <p>IT Developments</p> <p>Warehouse Expansion - Risk Mitigation Temporary Revised Ways of Working</p> <p>Warehouse Expansion - Risk Mitigation Temporary Revised Ways of Working</p> <p>Temporary staff - pre-employment & onboarding processes</p> <p>Cashflow</p> <p>Dividend Calculation</p> <p>Counter Fraud - Fuel Cards</p> <p>Counter Fraud - Purchase Cards</p> <p><i>All substantial assurance or advisory</i></p>
	1	Draft Report	IT general controls
Work in progress	9	N/A currently as audits are at various stages	<p>Counter Fraud NFI (*1)</p> <p>Emerging Risks (*1)</p> <p>General Financial Systems</p> <p>Rebates Income (*2)</p>

			Procurement Enterprise Resource Planning Migration Safe Systems of Working - Warehouse Expansion Value for Money Product Benchmarking (*2) Contingency (*1) *1 = Planned to continue until the end of the financial year *2 = Will naturally straddle two financial years
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11. There are valid reasons for audits that are currently classified as work in progress for example:
- Needing to be undertaken in the final quarter due to sample size requirements and/or project completion dates
 - Timetabled around changes to legislative requirements e, g, Procurement Act
 - On-going work throughout the financial year
 - Work straddling two financial years.
12. At this period in the financial year, reasonable assurance can be given that the audits are on track to be delivered subject to the usual caveats i.e.
- Actual time required to complete an audit being longer than budgeted
 - Any work that logically straddles more than one financial year
 - Unforeseen resourcing issues in the remaining two months for either ESPO or Internal Audit.
13. The Appendix summarises progress against the 2024-25 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. The bold font indicates changes since the last update to this committee on 30 October 2024.

Recommendation

14. That the Committee notes:
- a. the progress against the 2024-25 Plan
 - b. that there are no high importance recommendations within the Committee's domain

Equal Opportunities Implications

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

Background Paper

Report to ESPO Finance & Audit Sub Committee 14 February 2024 – Annual Internal Audit Plan 2024-25,

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1014&MId=7517&Ver=4>

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Appendix

Appendix Summary progress against 2024-25 audits as at 29 January 2025

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