



## **ESPO FINANCE AND AUDIT SUBCOMMITTEE – 26 MAY 2021**

### **INTERNAL AUDIT SERVICE**

## **PROGRESS AGAINST THE 2020-21 and 2021-22 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 2020/21 and 2021/22 Plans were approved by the Management Committee on 4 March 2020 and 17 March 2021 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 20/21 coverage in relation to an audit 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
8. All recommendations within the report were accepted and an implementation plan agreed with the newly appointed Commercial Financial Controller. The intention is to ensure this implementation plan is completed by mid-August to allow further audit testing in time for an update to be given to the September Management Committee.

### **Virement:**

9. As reported previously in February, there were two deferred/cancelled audits which were more than offset by five unplanned jobs (Ref 21-S Jobs 1 to 5) that were completed during the financial year.

2020/21 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	19	1 x Prior Year  1 x Partial Assurance  3 x Substantial Assurance  4 x Draft Reports i.e. but currently substantial assurance  6 x Planned advisory and/or Consultancy Complete  4 x Unplanned advisory and/or consultancy – all complete	21-A  21-H  21-B, 21-C, 21-S3 (Unplanned)  21-J, 21-N, 21-O, 21-Q  21-E, 21-G, 21-I, 21-K, 21-L, 21-M  21-S1, 21-S2, 21-S4, 21-S5
Work in progress	2	N/A	21-D and 21-R
Cancelled/ Deferred Audits	2	N/A	21-F & 21-P

11. The two audits still classed as work in progress have been transferred into the 2021/22 Internal Audit plan and will be completed in the first quarter. It should be noted however that several audits from the 2021/22 plan have been started early to offset these two outstanding audits from the 2020/21 plan – see further below.
12. Appendix 1 provides more detail in respect of progress against the 2020-21 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.

2021/22 Progress to date

13. A summary of progress against the 2021/22 plan is as follows: -

<u>Type</u>	<u>Number</u>	<u>Opinion</u>	<u>Reference</u>
Current year completed work/on-going consultancy work	3	1 x Completed Advisory 2 x On-Going Advisory	22-M job 1 22-J & 22-K,
Work in progress	2 6	Work in progress old year Work in progress current year	21-D & 21-R 22-C, 22-I, 22-M job 2, 22M job 3, 22-N, 22-O
Not started	10	N/A	22-B, 22-D, 22E, 22-F, 22-G, 22-H, 22-L, 22-P, 22-Q, 22-R

13. The above table demonstrates that considerable early progress has been made with 21/22 audits.
14. Appendix 2 provides more detailed progress against the 2021-22 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 4 March 2020 – Annual Internal Audit Plan 2020/21

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

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**Appendices**

Appendix 1 - Summary progress against 2020-21 audits as at May 2021

Appendix 2 - Summary progress against 2021-22 audits as at May 2021

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