



**CORPORATE GOVERNANCE COMMITTEE**  
**20 MAY 2024**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**INTERNAL AUDIT SERVICE – ANNUAL REPORT 2023-24**

**Purpose**

1. To provide the Corporate Governance Committee (the Committee) with an annual report on work conducted by the Internal Audit Service. It is then intended to distribute the report to all members of the Council.

**Background**

2. The Chief Financial Officer (CFO) has delegated responsibility for arranging a continuous internal audit. Under the County Council's Constitution, the Committee is required to monitor the adequacy and effectiveness of Leicestershire County Council Internal Audit Service (LCCIAS). One of its specific functions is to consider the Head of Internal Audit Service's (HoIAS) annual report.

**Internal Audit Service Annual Report**

3. Part 2, 'Internal Control' of the Accounts and Audit Regulations (2015) provides at section 5 'Internal Audit' that, 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
4. The relevant standards are the United Kingdom Public Sector Internal Audit Standards (PSIAS) revised in April 2017, and the guidance is provided by the accompanying CIPFA Local Government Advisory Note (LGAN) revised in April 2019.
5. The PSIAS require the HoIAS to provide an annual report to 'the Board' timed to support the annual governance statement (AGS). The Internal Audit Charter (revised January 2024) defines the Corporate Governance Committee as the Board and recognises that it should formally receive the HoIAS' annual report.

6. The annual report must include:
  - a. an annual internal audit opinion on the overall adequacy and effectiveness of the Council's control environment.
  - b. a summary of the audit work from which the opinion is derived;
  - c. a comparison of the work undertaken with the work that was planned, including a summary of the performance of the internal audit function.
  - d. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP).
  - e. any issues the HoIAS judges particularly relevant to the preparation of the AGS.
  
7. The detailed annual report for 2023-24 is provided in the **Appendix**. Although not a PSIAS requirement, the annual report will be made available to all members of the County Council. The report includes the HoIAS' opinion.

**HoIAS opinion:** LCCIAS' staffing resource was at its strongest for several years, and overall non-productive time (including sickness) was lower. The HoIAS considers there was sufficient input across the control environment to be able to give a full opinion. Assurance was supplemented by good relationships with senior management and transparency over reporting significant governance issues in the provisional draft Annual Governance Statement and providing detailed updates to risk positions in the Corporate Risk Register. Ten audits (eight of which related to maintained primary schools potentially incurring deficit budget positions) either contained high importance (HI) recommendations or a partial assurance rating and were reported in summary to Committee during the year. There was an increase in the number of reactive investigations which LCCIAS either supported/advised on or led (doubled from 13 to 26). However, as was the case with HI recommendations/partial assurance ratings, management accepted and responded to recommendations following investigations. The position with Nottingham City Internal Audit proposing to significantly reduce its internal audit coverage of EMSS main financial systems is a concern and will need to be closely monitored.

Reasonable assurance is given that the Council's control environment has remained overall adequate and effective.

The HoIAS opinion is also reported in the AGS for 2023-24.

8. **Annex 1** provides detail on how the annual internal audit opinion was formed, defines types of audits, the components of the control environment and what it is designed to achieve and provides a caveat on any opinion reached.

9. **Annex 2** lists the audits undertaken during the year. For assurance audits the individual audit opinion is given. For some consulting audits, the 'value added' by undertaking those audits is shown. The Annex also contains details of other relevant work undertaken.
10. Headlines from the report (which is found at the Appendix) are: -
  - a. The HoIAS opinion on the overall adequacy and effectiveness of the control environment remained positive.
  - b. Overall, more assurance audits (+23) and consulting (advisory) engagements (+5) were conducted than reported for 2022-23, and most work was completed by the date of this report, with a relatively small carry over/ongoing involvement (19 assurance and 7 consulting).
  - c. Of the 37 assurance audits completed, 33 returned substantial assurance ratings. Those where less assurance was given will continue to be subject to further internal audit scrutiny and will continue to be reported to the Committee.
  - d. Development and training continued.
  - e. The Service was successful in retaining all staff for almost a full year.
  - f. There was a budget underspend mostly due to the budget not reflecting income uplifts, some staffing savings and additional income.
  - g. Staff attendance was excellent.
  - h. Customer satisfaction remained positive.
  - i. The outcome of the recent External Quality Assessment (EQA) was very positive i.e. 'The Leicestershire County Council internal audit service is delivering to a standard that generally conforms (the top rating) with the Public Sector Internal Audit Standards'. A full report on the detail of the EQA outcome is included on this agenda.

### **Resource Implications**

11. The Internal Audit Service budget underspent primarily due to income uplifts not built into the starting budget, some staffing savings and additional income.

### **Equality and Human Rights Implications**

12. There are **no specific** equality and human rights implications contained within the annual summary of work undertaken.

**Recommendations**

13. That the Committee **notes** the Internal Audit Service annual report for 2023-24 (attached as an appendix).
14. That a copy of the Annual Report for 2023-24 be circulated to all members of the County Council for information.

**Background Papers**

The Constitution of Leicestershire County Council  
Accounts and Audit Regulations (Amendment) 2015  
The Public Sector Internal Audit Standards (revised from April 2017)

**Circulation under the Local Issues Alert Procedure**

None

**Officer to Contact**

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**List of Appendices**

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| Annex 1  | The HoIAS Annual Opinion on the overall adequacy and effectiveness of the control environment 2023-24 |
| Annex 2  | Summary of Internal Audit Service work supporting the HoIAS 2023-24 opinion                           |