



## **CORPORATE GOVERNANCE COMMITTEE – 31 MARCH 2025**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **INTERNAL AUDIT SERVICE – ANNUAL PLAN 2025-26**

##### **Purpose of Report**

1. The purpose of this report is to present the Internal Audit Plan for 2025-26 for approval by the Committee

##### **Background**

2. The Public Sector Internal Audit Standards (the PSIAS) require the Head of Internal Audit Service (HoIAS) to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the Council's agenda and priorities. The scope of internal audit activity in the plan should be wide ranging, enabling the HoIAS at the end of the year in question, to produce an annual internal audit opinion on the overall adequacy and effectiveness of the Council's control environment.
3. Under the County Council's Constitution, the Corporate Governance Committee (the Committee) is required to monitor the adequacy and effectiveness of the system of internal audit, with a specific function to consider Internal Audit Plans. Internal audit is an essential component of the Council's corporate governance and assurance framework.

##### **Background**

4. At its meeting on 20 May 2024, the Committee received a report informing how the 2024-25 Internal Audit Plan was to be constructed. This explained that not only had there been the traditional gathering of relevant information on risks from various internal and external sources, but also that the HoIAS and Audit Managers had restored and were continuing to develop a previously used audit needs assessment model. The details of the model were explained.
5. Since 2024-25 a more structured needs assessment model has been used to inform the Internal Audit plan. The model determines which audits take priority, how often they are undertaken and allows for tracking in year changes and movements, and whether they should be afforded higher priority over 'originally' planned audits. This provides better assurance that scarce internal audit resource is being targeted to the highest priority areas.

6. A baseline annual plan for 2024-25 (year 1), and the start point of regular/continuous update of the risk model, was agreed with Chief Officers on 25 July 2024 and the Committee on 16 September.

### The Internal Audit Plan 2025-26

7. A starting point was for the HoIAS to review and revise the total resources available model. Overall, this was more stable to calculate for 2025-26 due to the service provision to Leicester City Council ending. However, it has been revised including the need to recruit to two vacancies by the start of June and utilising agency in the lead up to start dates. There is a risk over the availability of quality resource. Several other key factors are a risk to the accuracy of such a model e.g. unplanned for leavers, long term absences etc. Also, a service re-design is planned, and the implementation of new internal audit standards is proving to be a significant impact.
8. A summary of how the County Council audit plan for 2025-26 (including audits relating to EMSS), was constructed follows (figures in days): -

	<u>2025-26</u>	<u>2024-25</u>
<b>Net resource available</b>	<b>1,485</b>	1,463
<b>Resource allocated</b>		
LCC audits (including contingency)	<b>1,140</b>	1,170
Counter Fraud (proactive & advisory, policies & procedures)	<b>45</b>	35
EMSS audits (reports, HoIA annual report/opinion, external auditor)	<b>10</b>	10
<b>Sub-total LCC IA &amp; CF and EMSS</b>	<b>1,195</b>	1,215
Planning, allocation & reporting	<b>81</b>	89
Servicing the Committee & Advising Officers	<b>102</b>	79
Developing the IA and CF Service	<b>77</b>	34
LCC Corporate requirements	<b>30</b>	46
<b>Sub-total managing LCC IA &amp; CF function</b>	<b>290</b>	248
<b>Total allocated to LCC IA &amp; CF and EMSS</b>	<b>1,485</b>	1,463

9. Through reports to the Committee at its meetings on 6 December 2024 and on the agenda for this meeting, the HoIAS has provided 'progress against plan'

updates. The latest report explains that due to a variety of reasons there are a considerable number that haven't started. The starting point for the 2025-26 plan was to ascertain whether the risks relating to not conducting those audits still exists and if so, how they compare against planned audits for year 2 and audits identified of new/emerging risks.

10. Directors were requested to review the audits assigned to their departments and there is still some follow up to conclude.
11. A provisional plan for 2025-26 is attached at **Appendix 1** including an unallocated contingency (120 days); the overall resource available for specific County Council audits 2025-26 has been calculated at 1,140 days. Additional allocations have been reserved for audits relating to EMSS (even though this is Nottingham City Council's Internal Audit responsibility, 10 days are allocated to review reports, recommendations and liaise over progress etc), and an increased allocation for proactive Counter Fraud work (45 days). The total planned days for audit and counter fraud relevant to the County Council is 1,195 days. The days allocated for each audit (and in total) is only a guide and will invariably differ from the original agreed plan.
12. The plan can be further analysed by departments (below) and will in time be analysed by type: -

<u>Department</u>	<u>Days</u>
Adults & Communities	52
Children & Family Services	135
Chief Executives	32
Consolidated Risk (*)	538
Corporate Resources	105
Environment & Transportation	119
Public Health	-
EMSS – LCCIA audits of systems	40
Contingency	120
<b>Total specific LCC audits</b>	<b>1,140</b>
Counter Fraud (proactive)	45
EMSS (NCCIA)	10
<b>Total relevant to LCC</b>	<b>1,195</b>

(\*) Consolidated risk is an internal term used to define audits that cross departmental boundaries. This largely relates to audits involving financial, IT and HR policies and processes

13. A further (increased) 290 days has been estimated to manage the LCC Internal Audit and Counter Fraud function so bringing the total resource allocation to 1,485 days (21 days more than for 2024-25).
14. Though the plan is compiled and presented as a plan of work, it must be recognised that it will only be a statement of intent, and there is a need for flexibility to review and adjust it as necessary in response to changes in the

Council's business, risks, operations, programs, systems, and controls. The plan can vary very quickly and may need to be adjusted if resources change, or unplanned work arises for instance.

15. The return to a more structured model to determine which audits take priority, how often they are undertaken and ability to track in year changes and movements, and whether they should be afforded higher priority over 'originally' planned audits should provide assurance that scarce resource is being targeted to the highest priority areas.
16. The Plan includes an allocation of days for emerging risks and issues. This will be monitored through the year and amendments made to the plan as and when required.

### **Resource implications**

17. The resource plan contains two vacancies which will temporarily be filled by agency appointments pending any full-time recruitment or use of the respective budget to assist service redesign.

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

18. None

### **Recommendations**

19. It is recommended that the Internal Audit Annual Plan 2025-26 be approved.

### **Background Papers**

The Constitution of Leicestershire County Council

### **Circulation under the Local Issues Alert Procedure**

None.

### **Officer to Contact**

Declan Keegan, Director of Corporate Resources,  
Corporate Resources Department,  
☎0116 305 7668 E-mail [Declan.Keegan@leics.gov.uk](mailto:Declan.Keegan@leics.gov.uk)

Simone Hines, Assistant Director (Finance and Commissioning),  
Corporate Resources Department,  
☎0116 305 7066 E-mail [Simone.Hines@leics.gov.uk](mailto:Simone.Hines@leics.gov.uk)

Neil Jones, Head of Internal Audit & Assurance Service  
Tel: 0116 305 7629  
Email: [neil.jones@leics.gov.uk](mailto:neil.jones@leics.gov.uk)

**Appendices**

Appendix 1

Internal Audit Plan 2025-26

This page is intentionally left blank