



CORPORATE GOVERNANCE COMMITTEE
23 JUNE 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2024-25

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 for 2024-25 were 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. **Note:** new internal audit standards were implemented and will apply from 1 April, 'The Global Internal Audit Standards in the UK Public Sector'.
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 (last 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 2024-25 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.

Rationale - The HoIAS considers there was sufficient input by LCCIAS across the control environment to be able to give a full opinion. Assurance continued to be supplemented by good relationships with senior management, transparency over reporting significant governance issues in the draft Annual Governance Statement and providing detailed updates to risk positions in the Corporate Risk Register. Currently, six audits either contain high importance (HI) recommendations or a partial assurance rating and were reported in summary to Committee during the year. Because some audits haven't been fully closed there could yet be a few more, lower graded ratings but this will not affect the overall opinion. There was also an increase in the number of reactive investigations which LCCIAS either supported/advised on or led. Whilst these could indicate a weakening control environment, management has continued to accept and respond positively and strongly to LCCIAS recommendations. Nottingham City Internal Audit completed three of its four planned audits of EMSS main financial systems and gave an overall positive opinion.

Opinion - Reasonable assurance is given that the Council's control environment has remained overall adequate and effective during 2024-25.

The HoIAS opinion will also be reported in the AGS for 2024-25.

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. The Annex also contains details of other relevant work undertaken.
10. Headlines from the report are: -
 - a. The HoIAS opinion on the overall adequacy and effectiveness of the control environment remained positive.
 - b. Most assurance audits conducted returned substantial assurance ratings. Those where less assurance was given will continue to be subject to further audit scrutiny.
 - c. Similar numbers of assurance audits and consulting (advisory) engagements were conducted. Most work was completed by the date of this report, with a relatively small carry over.
 - d. Development and training continued.
 - e. Other than one long-term medical absence on the whole staff attendance was excellent.
 - f. Customer satisfaction remained positive.

Resource Implications

11. There was a budget underspend mostly due to staffing savings from unfilled vacancies and transfers out, and additional income from providing internal audit service to other organisations.

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 2024-25 (attached as an appendix).
14. That a copy of the Annual Report for 2024-25 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

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| Annex 2 | Summary of Internal Audit Service work supporting the HoIAS 2024-25 opinion |