

# **Leicestershire County Council Internal Audit Service Annual Report 2024-25**

**Neil Jones CPFA, Head of Internal Audit Service,  
Leicestershire County Council**

**6 June 2025**

**LEICESTERSHIRE COUNTY COUNCIL**  
**INTERNAL AUDIT SERVICE**  
**ANNUAL REPORT 2024-25**

**Background**

1. A common set of Public Sector Internal Audit Standards (PSIAS) was adopted in April 2013 and revised from April 2017. The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF) as follows: -
  - i. The Mission of Internal Audit
  - ii. Definition of Internal Auditing
  - iii. Core Principles for the Professional Practice of Internal Auditing
  - iv. Code of Ethics
  - v. International Standards for the Professional Practice of Internal Auditing
2. Additional requirements and interpretations for the local government sector have been inserted into the PSIAS and all principal local authorities must make provision for internal audit in accordance with the PSIAS.
3. The objectives of the PSIAS are to: -
  - a. define the nature of internal auditing within the UK public sector.
  - b. set principles for carrying out internal audit in the UK public sector!
  - c. establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations.
  - d. establish the basis for the evaluation of internal audit performance and to drive improvement planning.
4. The PSIAS require the Head of Internal Audit Service (HoIAS) to provide an annual report to 'the Board' (Corporate Governance Committee) timed to support the annual governance statement.
5. The PSIAS state that the annual report must include:
  - A. an annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and internal control frameworks (i.e., the control environment) and disclosure of any qualifications to the opinion, together with the reasons for the qualification
  - B. a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies) and disclosure of any impairments or restriction in scope.
  - C. a comparison of the work undertaken with the work that was planned, including a summary of the performance of the internal audit function against its performance measures and targets.
  - D. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP) and progress against any improvement plans resulting from a QAIP external assessment.
  - E. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement

6. The PSIAS apply to annual reports relating to the financial year 2024-25. From 1 April 2025, local government internal audit functions will need to apply the Global Internal Audit Standards in the UK Public Sector (GIAS UK Public Sector).

**The Annual Internal Audit Opinion on the Adequacy and Effectiveness of Leicestershire County Council's Control Environment**

7. **Annex 1** provides detail on how the annual internal audit opinion was formed, explains the types of audits undertaken, the components of the control environment and what it is designed to achieve, and provides a caveat on any opinions reached.
8. Based on an objective assessment of the results of individual audits undertaken, actions by management thereafter, the professional judgement of the HoIAS in evaluating other related activities and recognising other independent assurances received in the year, the following overall opinion has been reached: -

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.

### **A summary of the audit work from which the opinion is derived**

9. **Annex 2** lists the audits and all other work undertaken by LCCIAS during the year and where appropriate contains the individual audit opinion.
10. 54 of the audits started in 2024-25 (52 in 2023-24) were 'assurance' type defined as '*An objective examination of evidence for the purpose of providing an independent assessment*'. At 31 May 2025, 39 audits (72%) were complete to draft report stage. Unless there's certainty that the grading will not change, 14 audits are currently showing as to be confirmed 'TBC'. 1 audit was cancelled at management request.
11. 30 audits (77%) of those returned a 'substantial assurance' rating, meaning the controls in place to reduce exposure to risks to achieving the system's objectives were well designed and were being operated effectively. 6 audits contained either contained high importance (HI) recommendations or a collective number of recommendations which signified a serious control weakness had been identified and were graded 'partial assurance' rating. 3 audits are awaiting confirmation of gradings with management.
12. Nottingham City Council Internal Audit (NCCIA) undertook the audits of East Midlands Shared Service (EMSS) key financial transactional systems. During 2024-25, NCCIA provided 7 reports (4 relating to concluding 2023-24 audits). Overall opinions were positive.
13. LCCIAS provided consulting/advisory across a range of topics. Additionally, the Service continued to review a high number of Information Security Risk Assessments 23 (39) and other IT changes which demonstrates the continuing pace of change the Council is driving.
14. The number of grants audited and certified was stable 18 (17). These continue to take a lot of internal audit resource.
15. LCCIAS input to investigations (not necessarily fraud/theft). A number of investigations started in 2024-25 are still in train. The Counter Fraud Annual Report contains a summary of the number and type of investigations and outcomes. Activity on investigations is produced annually to meet the requirements of the Local Government Transparency Code.
16. A range of work is conducted across the wider control environment and in direct support to other departments.
17. The HoIAS is also responsible for the compilation of the Council's Annual Governance Statement (AGS) and retains oversight of the counter fraud, risk management and insurance functions and chairs a group specifically engaged in the Council's property and occupants risk. Managing these functions gives the HoIAS wider insight into forming an opinion on the adequacy and effectiveness of the control environment
18. A 'potential impairment' to LCCIAS' independence and objectivity (responsibility for the corporate risk management framework) is declared in the Internal Audit Charter which was revised in January 2024. A revised

Charter will need to be produced to conform to the GIAS in the UK Public Sector implemented from 1 April 2025.

19. Staff continued to work remotely but there's a hybrid approach, with in person attendance at Committees, working groups and team briefings. There were full team sessions on implementing the new internal audit standards.
20. The HoIAS places reliance on work by other assurance bodies for example:
  - A. Nottingham City Council Internal Audit (NCCIA) provides the internal audit function for East Midlands Shared Services (EMSS). During the year NCCIA completed audits of payroll, accounts receivable and accounts payable and all received moderate assurance. The planned audit of IT – System Admin and access controls was cancelled because sufficient assurance had been provided by the external auditor. The Interim Head of Internal Audit for NCCIA is reporting to the EMSS Joint Committee on 16 June that, 'A "moderate" level of assurance can be given that internal control systems are operating effectively within EMSS and that no significant issues had been discovered'.
  - B. Additionally, the HoIAS took assurance from the Grant Thornton's 'Auditors Annual Report on the County Council for 2023-24'. He also reviewed the Council's Overview & Scrutiny Annual Report 2024-25.
  - C. More detailed information on the above is contained in Annex 1

**Work undertaken including a summary of the performance of the internal audit function.**

21. The table below shows the resources planned and delivered for the Council

**Table 1: Staff resources allocated & delivered – to 30 April 2025**

<b><u>All figures are in days</u></b>	<b><u>1/4/24</u></b>	<b><u>30/4/25</u></b>		
	<b><u>Planned</u></b>	<b><u>Delivered</u></b>	<b><u>+/-</u></b>	<b><u>Reason</u></b>
<b><u>Allocated (1/4/24) &amp; recorded (30/4/25)</u></b>				
LCC IA including contingency 34 days	1,170	730	-440	A
Counter Fraud - proactive & advisory	35	50	+15	B
EMSS IA - reports, HoIA annual plan etc	10	13	+3	C
<b><u>Sub-total LCC IA &amp; CF and EMSS IA</u></b>	<b><u>1,215</u></b>	<b><u>793</u></b>	<b><u>-422</u></b>	
<b><u>Sub-total managing LCC IA &amp; CF</u></b>	<b><u>248</u></b>	<b><u>385</u></b>	<b><u>+137</u></b>	D
<b><u>Total allocated/recorded on LCC IA &amp; CF and EMSS IA</u></b>	<b><u>1,463</u></b>	<b><u>1,178</u></b>	<b><u>-285</u></b>	
<b><u>Percentage of original plan resources</u></b>	<b><u>100%</u></b>	<b><u>81%</u></b>	<b><u>=</u></b>	
Outside of the IA plan – other assurances Risk Management, AGS & Insurance	75	96	+21	

22. Some reasons for the larger variations are: -

A. Resources planned/delivered - A mix of: -

- i. Starting resource plan was based on recruiting to a known vacancy and retaining others. However, LCCIAS' overall staffing resource was reduced during 2024-25. Two vacancies were unfilled (one Senior Auditor for the whole year and one Auditor from mid-December 2024). There were plans to review and redesign the Service and so permanent appointments to replace the vacant posts were held back. Additionally, three employed staff and one agency were lost from 1 August due to Leicester City Council choosing to end its arrangement for LCCIAS to provide its internal audit function.
- ii. Higher than expected long-term medically related sickness absence.
- iii. More time than was planned was incurred in terminating the arrangements to provide internal audit to Leicester City Council. The cost of the additional time incurred was recharged to Leicester City Council.

B. Counter Fraud - Significant front end of year investment in policy and procedure reviews, developing CF training and guidance and developing avenues for reporting fraud.

C. EMSS - Relates to the time incurred in supporting arrangements for Nottingham City Council Internal Audit to provide 2023-24 reports and an annual opinion: a 2024-25 annual plan and future arrangements.

D. Sub total managing the IA & CF function – a mix of: -

- i. Developing the service - Predominantly research and training for the forthcoming implementation of new internal audit standards. Additionally, time was incurred finalising the External Quality Assessment and developing and maintaining a plan to implement associated actions.
- ii. LCC Corporate requirements - Perhaps overestimated the initial allocation required but was based on previous year trend
- iii. Planning, allocation & reporting - Significant investment in the strategic and annual planning and reporting methodology. Considerable time taken to conduct progress v plan reviews and needs to be made more efficient

23. The table below show assignments completed/ongoing.

**Table 2: Assignments completed/ongoing at 31 May 2025**

	<u>2023-24</u>	<u>2024-25</u>	<u>+/-</u>
Assurance audits (undertaken by LCCIAS)	52	54	+2
Assurance audits (review NCCIA/EMSS)	4	7	+3
Close off HI recommendations	9	7	-2
Consulting assignments	13	11	-2
Information Security Risk Assessments	39	23	-16
Grant certification	17	18	+1
Investigations - concluded	14	21	+7
Other control environment	23	19	-4
Assist other functions	4	5	+1
<b>Total</b>	175	165	-10

24. Internal audit plans are increasingly short-term statements of intent rather than guaranteed coverage and need to be flexible and retain contingency to adapt to changes in risk and priorities. Some resource has already been utilised in 2025-26 completing prior year audits.
25. There was a large budget underspend mainly due to staffing budget savings but also increased trading income.
26. Returns of customer satisfaction questionnaires remain low. Nevertheless, those being audited continue to rate service received and value added as 'very satisfied'. As part of the recent External Quality Assessment, questionnaire responses from senior management and members were positive and 75% had been returned (above average). The Assessor reported, *'The Internal Audit service receives favourable feedback from clients who are appreciative of the approachable, flexible and client focused support that is provided'*.
27. The drive to becoming more agile by using available technologies and pushing ahead on the use of a data analytics (and AI) tools remains work in progress. A data analytics and strategy has been devised.

**Conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP)**

28. At its meeting on 20 May 2024, the Committee was informed that the outcome of the External Quality Assessment (2024) was *'The Leicestershire County Council internal audit service is delivering to a standard that generally conforms with the Public Sector Internal Audit Standards'*.
29. The Assessor made two recommendations relating to the QAIP which were graded, *'The Internal audit service should review its approach in this area to better reflect the application of the PSIAS'*.
30. The Committee received a follow up report at its meeting on 6 December 2024 explaining that some of the improvement recommendations would need to be reviewed against any new requirements in the GIAS UK Public Sector introduced from 1 April 2025.

**Any issues the HoIAS judges particularly relevant to the preparation of the Annual Governance Statement (AGS)**

31. The HoIAS has responsibility for overseeing the compilation of the AGS. As part of the process, he arranges a senior officers 'governance group' to review the content and agree any significant governance issues that should be reported in the AGS, before it is presented to the Committee.
32. Two new significant governance issues will be reported in the draft AGS for 2025-25.
33. The HoIAS also considers that the prospect of local government reorganisations should be reflected as a future challenge to the County Council and once identified, risks will need to be mitigated.

Neil Jones CPFA  
Head of Internal Audit & Assurance Service  
LCCIAS

6 June 2025.