



CORPORATE GOVERNANCE COMMITTEE 27 MARCH 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

**INTERNAL AUDIT SERVICE – PROGRESS AGAINST 2025-26
INTERNAL AUDIT PLAN AND HIGH IMPORTANCE
RECOMMENDATIONS**

Purpose of Report

1. The purpose of this report is to provide the Corporate Governance Committee (the Committee) with: -
 - a. A summary of work undertaken by the Council's Internal Audit Service during the period 1 October 2025 to 28 February 2026.
 - b. An update on progress with implementing high importance (HI) recommendations at 28 February 2026.
 - c. Performance against the 2025-26 Internal Audit plan

Background

2. The Global Internal Audit Standards for the UK Public Sector (GIAS UKPS) require the Head of Internal Audit Service (HoIAS) to develop risk-based plans to determine the priorities of the internal audit activity, aligned with the Council's priorities. These plans should cover a broad scope, enabling the HoIAS to provide an annual conclusion on the overall adequacy and effectiveness of the Council's control environment.
3. At its meeting on 31 March 2025, the Committee approved a plan of 1,485 days for Leicestershire County Council (LCC) as follows: -

<u>Resource allocated</u>	<u>Days</u>
LCC audits (including contingency)	1,140
East Midlands Shared Services audits ¹	10
Counter Fraud (proactive & advisory, policies & procedures)	45
Managing LCC internal audit & counter fraud functions	290
Total allocated ²	1,485

¹ East Midlands Shared Services (EMSS) audits are planned and undertaken by Nottingham City Council Internal Audit. However, the Head of Internal Audit

Service for LCC engages with his counterpart at Nottingham to review plans and resources, individual audit reports, the annual report and conclusion, and arrangements for reporting to this Committee.

² A further **80 days** were allocated for the HoIAS to oversee the production of the Council's Local Code of Corporate Governance and Annual Governance Statement (AGS), monitor and report on the corporate risk management framework and manage the Insurance Service.

4. Under the County Council's Constitution, 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.

Summary of internal audit work undertaken

5. **Appendix 1** summarises internal audit work by the Internal Audit Service (the Service) for the County Council from 1 October 2025 to 28 February 2026. It includes audit movements since the last progress report (24 November 2025). Due to the longer reporting period, a significant number of audits are covered. For assurance audits (pages 1–7), a 'conclusion' is usually provided on the level of assurance that material risks are managed. The four assurance levels are: full, substantial, partial, and little.
6. Several audits have received or will receive a partial assurance rating, typically given when at least one High Importance (HI) recommendation is made. HI recommendations indicate material risk that remains unless addressed promptly. Management must implement agreed actions without delay. HI recommendations and negative assurance ratings are reported to the Committee and tracked until resolved. In some cases, multiple lower-graded recommendations may collectively warrant targeted follow-up. Until draft reports are issued and ratings confirmed, some audits will show as TBC.

	Number	%
Number of assurance audits completed this period	17	100
Of which:		
Number with substantial assurance	14	82
Number with partial/low assurance those being:	3	18
• Adults' Safeguarding		
• Children's Social Care Placements & Payments		
• Account Governance Review		

7. The Service also undertakes advisory type audits - see Appendix 1 (pages 8 to 10). Details, including where these incur a reasonable amount of resource, are also included. Examples include advice, commentary on management's intended control design and framework and potential implications of changes to systems, processes, and policies. During this period, the ICT Auditor has continued to undertake or has overseen a number of reviews of higher risk Information Security Risk Assessments (ISRA).

8. Grants that were certified during the period appear on page 10. The number of grants that need certification is declining. Page 10 also includes a brief reference to the work the Service has conducted on investigations. More detail on these will be provided in the Annual Counter Fraud Report (scheduled June 2026).
9. Pages 11 and 12 of Appendix 1 provides information on: -
 - a. 'Other control environment/assurance work', which gives a flavour of where internal auditors are utilised to challenge and improve governance, risk management and internal control processes which ultimately strengthens the overall control environment.
 - b. Where auditors are utilised to undertake work assisting other functions. There is Internal Audit Service representation on several corporate project groups.
10. Finally, to remain effective, and either undertake audits or feed information and guidance to others, Internal Audit staff regularly attend online training and development events and both midlands and national internal audit, risk and counter fraud network events. A summary of the events attended since the beginning of October 2025 is shown on pages 13 and 14.

Progress with implementing High Importance (HI) recommendations

11. The Committee monitors the implementation of High Importance (HI) recommendations. These are where material risk exposure is identified, **Appendix 2** shows the status as of 28 February 2026, including a brief summary of related issues. It also indicates whether managers agree to implement the recommendations and the target timescales. New or updated recommendations are highlighted in **bold font**. Items remain listed until auditors confirm implementation through re-testing where applicable. If deadlines are extended, management provides reasons and updates. A Chief Officer may be required to attend the Committee to provide information or answer questions
12. To summarise movements within Appendix 2: -
 - a. **New High Importance Recommendations**
 - i. Children & Family Services - Children's Placements and Payments
 - ii. Adults & Communities - Safeguarding
 - iii. Consolidated Risk (EMSS) – Account Governance Review

b. In progress (longest outstanding reported first & number of extensions and a brief reason for the extension)

<u>Department</u>	<u>Audit</u>	<u>Ext</u>	<u>Brief reason for extension</u>
Chief Executives	City Council Coroner & Recharges	2	Delays due to Legal Exchanges between City & County Council
Adults & Communities	Direct Payments	2	Staff diverted towards nationwide issues with the prepaid card provider
Adults & Communities	Residential Settings Claiming for Deceased or Fictitious Residents	1	Assistant Director on Jury Service/Annual Leave – unable to obtain update.
Chief Executives	Registrars - income reconciliation	2	Dependent on deployment of new modules reliant on ICT who were struggling to resource until new appointment in February.
Children & Family Services	Direct Payments	1	Staff diverted towards nationwide issues with the prepaid card provider
Consolidated Risk	Business Travel Documents	2	One of the two recommendations has been closed. For the other, comparison data shows this is still a non-compliance issue
Consolidated Risk	Business Continuity Plans	1	Two-year programme of work.

c. Closed/No longer relevant (longest outstanding reported first)

- i. Children & Family Services - Emergency Payments (Section 17 and 24 Payments)
- ii. Children & Family Services – SEN Assessments
- iii. Consolidated Risk – Business Travel Documents – 1 of 2 closed
- iv. Consolidated Risk - Identification, Knowledge and Prioritisation of Business Applications
- v. Adults & Communities Department - Safeguarding
- vi. Consolidated Risk ((EMSS) – Account Governance Review

When a HI recommendation is closed, the risk score in the Internal Audit planning model is increased to reflect that a follow up audit may be required ahead of normal frequency.

13. At its meeting on 24 November 2025, the Committee was informed that two major audits of Adults' and Children's direct payments (DP) systems were complete, with all HI recommendations accepted and action plans were in place. However, implementation of the recommendations had been delayed by significant LCC resources needing to be diverted towards nationwide issues with the prepaid card provider, Prepaid Financial Services (PFS). The issues were explained to the Committee at the time.
14. It's pleasing to report that the PFS issues have (largely) been resolved and good progress is being made with each of the recommendations but because of the large scale disruption the HoIAS has agreed extensions to implementation dates for Adults' (end of April) and Children's (end of May).
15. The HoIAS will continue to monitor progress and provide a further update to the Committee.

Progress against the 2025-26 Internal Audit plan

16. On 31 March 2025, the Committee approved 1,485 days for the 2025–26 Internal Audit Plan, noting the need for flexibility to adjust in response to changes in the Council's business, risks, operations, programs, systems, controls, and resource variations.
17. The HoIAS reviews progress against the approved plan and resource variances using data from the Service's time recording system. A position statement as of 28 February 2026 shows the pro-rata resource allocation for 11 months, time recorded to date, and percentage variance. All figures are in days and rounded.

Table 1: Resource allocated 1 April & time recorded at 28 February 2026

<u>Resource allocated & time recorded</u>	<u>1/4</u>	<u>Pro-rata 28/2</u>	<u>Time at 28/2</u>	<u>%</u>
LCC IA including contingency	1,140	1,045	752	72
EMSS IA - reports, HoIA annual plan etc	10	9	4	44
Counter Fraud - proactive & advisory	45	41	41	91
<u>Management of LCC IA & CF</u>	<u>290</u>	<u>266</u>	<u>279</u>	<u>105</u>
<u>Total allocated/recorded</u>	<u>1,485</u>	<u>1,361</u>	<u>1,076</u>	<u>79</u>
AGS, Risk Management & Insurance	80	73	122	167

18. Time spent on LCC audits is slightly low because of not recruiting to two vacancies planned from 1 June 2025. Whilst this was countered by employing an agency staff member from 1 August 2025 unfortunately due to personal reasons he left his contract early. Also, some overheads are disproportionately higher than planned.
19. Considerable time has been spent implementing the requirements of the new Global Internal Audit Standards and training which really impacts a small team. Additionally, time spent on the non-internal audit allocations (AGS, RM & Insurance) was significantly higher than pro-rata, especially overseeing Insurance Service matters (large issue, replacement MIS, renewals). There has also been heavy investment in reviewing and updating the Council's Local Code of Corporate Governance in preparation for preparing the AGS.
20. Overall compared to the same time last year, a further 134 days has been allocated to reviewing the Council's control environment.
21. The table below shows the position with undertaking/progressing audits

Table 2: Audits planned 1 April and position at 28 February 2026

Number of audits planned/approved 31 March 2025	131
Additions - originally omitted, split bulk allocations, new/unplanned	79
Total audits at 28 February 2026	<u>210</u>
Less deferred, cancelled or duplicated	-5
Net audits 28 February 2026	<u>205</u>

Position	No	%	Days used
Complete	119	58	414
In progress	53	26	318
Deferred	-	-	20
Sub-total finalised/in progress	<u>172</u>	<u>84</u>	<u>752</u>
Time available to complete audits in progress	-	-	-23
Not started – grants	0	0	0

Not started – audits/contingency	33	16	305
Balance to net audits 28 February 2026	205	100	1,031

22. The position for 2025-26 at 28 February is remarkably similar to 2024-25 albeit 19 more audits have been completed and conversely there are 15 less in progress.
23. Whilst the total days estimated to complete the full plan (1,031) is lower than the original 1,140 days originally planned and approved (table 1), it's unlikely this will occur for reasons such as current vacancies and also the management of overruns on audits in progress and cancellations/new requests.
24. The HoIAS will continue to review the plan position with the Assistant Director (Finance, Transformation and Commissioning) and the Committee will continue to receive six monthly progress reports including any significant changes to the plan and reasons.
25. The process for the HoIAS forming his overall conclusion on the Council's control environment (due to be reported in June) isn't prescribed. It is not solely based upon the number or outcome of internal audits undertaken but instead allows for the HoIAS to take account of (for example), external assurances, governance and risk management arrangements, performance reports and annual reports e.g. complaints.
26. The HoIAS considers that he will gather sufficient evidence to be able to provide a robust opinion for 2025-26. Whilst 5 planned audits have been deferred into the next year some larger scale replacement unplanned audits have provided useful insight into the control environment.

Resource implications

27. Two vacancies remain unfilled but has been compensated by employing an agency staff member. One of the vacant posts Senior Auditor post (which traditionally leads on the corporate risk management arrangements) has affected not only internal audit delivery but also the HoIAS who has had to undertake the risk management requirements.
28. The loss of the agency staff member and the retirement of a longstanding team member from 31 March 2026 will impact the resource base from the start of the new year.

Equality and Human Rights Implications

29. None

Recommendations

30. The updates on progress on work undertaken, the implementation of high importance recommendations and the performance against the plan (all at 28 February 2026) be noted.

Background Papers

The Constitution of Leicestershire County Council

Reports to: -

Corporate Governance Committee (31 March 2025) - Internal Audit Service Annual Plan 2025-26

<https://democracy.leics.gov.uk/documents/s189401/Internal%20Audit%20Service%20-%20Annual%20Plan%202025-26%20-%20final.pdf>

Appendix 1 – County Council Internal Audit Plan 2025-26

<https://democracy.leics.gov.uk/documents/s189402/Appendix%201%20-%20Internal%20Audit%20Annual%20Plan%202025-26.pdf>

Circulation under the Local Issues Alert Procedure

None.

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Appendices

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| Appendix 1 | Summary of Internal Audit Service work undertaken between 1 October 2025 and 28 February 2026. |
| Appendix 2 | High Importance recommendations at 28 February 2026 |