



## **CORPORATE GOVERNANCE COMMITTEE – 27 MARCH 2026**

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

#### **INTERNAL AUDIT SERVICE – ANNUAL PLAN 2026-27**

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

1. The purpose of this report is to present the Internal Audit Plan for 2026-27 for approval by the Committee

##### **Background**

2. A requirement of the Global Internal Audit Standards (UK public sector) is that a Chief Audit Executive (at Leicestershire County Council this is the Head of Internal Audit Service (HoIAS)), must prepare at the organisation level an overall conclusion encompassing governance, risk management and control at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. In order to form the conclusion, the HoIAS creates an internal audit plan that supports the achievement of the Council's objectives. The scope of internal audit work needs to be wide.
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.
4. 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're 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
5. A baseline annual plan for 2024-25 (year 1), and the start point of regular/continuous update of the risk model, was agreed by the Committee on 16 September 2024. The 2026-27 plan is year 3 of the sequence.

### The Internal Audit Plan 2026-27

6. The HoIAS has revised the resource model, including plans to recruit two vacancies by June with agency support in the interim. A third vacancy will be reviewed over the summer. Risks include limited availability of skilled applicants and hesitation linked to Local Government Reorganisation. Other, and factors such as unplanned leavers and long-term absences. A planned service redesign and new internal audit standards are also impacting the model. A small unallocated contingency has been retained.
7. A summary of how the County Council audit plan for 2026-27 (including audits relating to EMSS), is constructed follows (figures in days): -

	<b>2026-27</b>	<b>2025-26</b>
<b>Net resource available</b>	<b>1,362</b>	<b>1,485</b>
<b>Resource allocated</b>		
LCC audits (including contingency)	<b>1,050</b>	1,140
Counter Fraud (proactive & advisory, policies & procedures)	<b>45</b>	45
EMSS audits (reports, HoIA annual report/opinion, external auditor)	<b>10</b>	10
<b>Sub-total LCC IA &amp; CF and EMSS</b>	<b>1,105</b>	<b>1,195</b>
Planning, allocation & reporting	<b>80</b>	81
Servicing the Committee & Advising Officers <sup>1</sup>	<b>64</b>	102
Developing the IA and CF Service	<b>89</b>	77
LCC Corporate requirements	<b>24</b>	30
<b>Sub-total managing LCC IA &amp; CF function</b>	<b>257</b>	<b>290</b>
<b>Total allocated to LCC IA &amp; CF and EMSS</b>	<b>1,362</b>	<b>1,485</b>
LCoCG, AGS, Risk Management & Insurance <sup>2</sup>	<b>100</b>	<b>80</b>

<sup>1</sup> The HoIAS provides proactive and reactive advice, guidance and insight on all matters of governance, risk management and internal control.

<sup>2</sup> Separately from audit and counter-fraud work, a further 80 days are allocated for the HoIAS to oversee and report to the Committee on the Local Code of Corporate Governance, the Annual Governance Statement, corporate risk management and the Insurance Service. This supports the HoIAS in forming his overall conclusion on the Council's control environment, due in June 2026.

8. On today's agenda the HoIAS has provided an update on the 'progress against plan 2025-26'. The report explains that at the end of February 2026 due to a variety of reasons there are a number of planned audits that haven't started. The starting point for the 2026-27 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 3 and audits identified as new/emerging risks.
9. Directors were requested to review the audits assigned to their departments and there is still some follow up to conclude this exercise.
10. A provisional audit plan for 2026–27 is provided in Appendix 1. Audits that contain 'Operation' in their title are investigations. The total resource available for County Council audit work is 1,050 days, including 166 days of contingency. Additional allowances include 10 days for reviewing EMSS audit activity (undertaken by Nottingham City Council) and 45 days for proactive counter-fraud work. This brings the total planned audit and counter-fraud days to 1,105. All day allocations are indicative and may change as the year progresses.
11. The plan can be further analysed by departments (below) and by type: -

<b><u>By department</u></b>	<b><u>Days</u></b>
Adults & Communities	100.5
Children & Family Services	103.5
Consolidated Risk <sup>1</sup>	474.0
Corporate Resources	111.5
Environment & Transportation	61.0
Public Health, Law & Governance <sup>2</sup>	33.5
<b><u>Total specific LCC audits</u></b>	<b><u>884.0</u></b>
Contingency	166.0
<b><u>Total audit time</u></b>	<b><u>1,050.0</u></b>
Counter Fraud (proactive)	45.0
EMSS (NCCIA)	10.0
<b><u>Total relevant to LCC</u></b>	<b><u>1,105.0</u></b>

<sup>1</sup> 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.

<sup>2</sup> This is the former Chief Executive's and Public Health departments which are now merged, but the detailed plan in the appendix refers to the former departments.

<u>By type</u>	<u>Days</u>
Annual	201.0
Deferred into 2026-27	37.5
Follow up current HI rec's	18.0
In progress at 28 February	122.5
New audits	163.0
Due from original 3 year plan	342.0
<b><u>Total specific LCC audits</u></b>	<b><u>884.0</u></b>

12. 257 days has been estimated to manage the LCC Internal Audit & Counter Fraud function so bringing the total resource allocation to 1,362 days (123 days less than for 2025-26). The number of projected audit days will increase if vacancies are filled quicker than planned and if some overheads aren't incurred as projected.
13. 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.
14. The plan includes a contingency to include emerging risks and issues. This will be monitored through the year and amendments made to the plan as and when required.
15. Resource allocation and progress will be reviewed quarterly with the Assistant Director (Finance, Transformation and Commissioning) and requests for deferrals will be considered before reporting to CMT and the Committee.

### **Performance Measures and Targets**

16. The HoIAS uses a range of measures to support the measurement and management of performance. These are chosen to support the delivery of our strategy.

<u>Measures</u>	<u>Targets</u>
<b>Service delivery</b>	<ul style="list-style-type: none"> <li>• Annual audit plan to be agreed by CMT and the Committee by 31 March for the following year.</li> <li>• Annual report and conclusion to be delivered by 30 June each year.</li> <li>• 90% of audits in the Plan (as adjusted) to be delivered to at least draft report stage by 31 May each year</li> </ul>

<b>Stakeholder satisfaction</b>	Post audit questionnaires to clients score key elements of the audit. Target = 85% satisfaction.
<b>Professional standards</b>	<ul style="list-style-type: none"> <li>• Annually - Conform to the Global Internal Audit Standards (UK public sector)</li> <li>• Five yearly – attain a positive independent External Quality Assessment</li> </ul>
<b>Training and Development</b>	<p>Complete annually: -</p> <ul style="list-style-type: none"> <li>• All corporate mandatory training</li> <li>• Training identified through the Annual Performance Review</li> <li>• Ethics training/refresher declarations</li> <li>• Any additional training identified through the GIAS (UK public sector)</li> <li>• Continue drive to develop use of AI and data analytics</li> </ul>

### **Resource implications**

17. The resource plan contains three vacancies which will temporarily be filled by agency appointments pending any full-time recruitment or use of the respective budget to assist service redesign.
18. Considerable time continues to be spent implementing the requirements of the new Global Internal Audit Standards and training which impacts a small team.

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

19. None

### **Recommendations**

20. The provisional Internal Audit Annual Plan 2026-27 be approved

### **Background Papers**

The Constitution of Leicestershire County Council

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

None.

### **Officer to Contact**

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## **Appendices**

Appendix 1

Provisional Internal Audit Plan 2026-27