



CORPORATE GOVERNANCE COMMITTEE
26 JUNE 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

HEAD OF INTERNAL AUDIT SERVICE – ANNUAL REPORT
2025-26

Purpose

1. To provide the Corporate Governance Committee (the Committee) with the Head of Internal Audit Service annual report. 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.

Background

3. The Accounts and Audit Regulations (2015) provide 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 Global Internal Audit Standards in the UK Public Sector (GIAS UK public sector) were implemented from 1 April 2025. These are accompanied by:
 - a. The Application Note (which gives UK public sector context and interpretations of GIAS requirements, plus additional requirements essential for internal audit in the UK public sector).
 - b. CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government (the Code) to support authorities in

establishing their internal audit arrangements and providing oversight and support for internal audit.

5. The Application Note requires that in the UK public sector: -
 - a. a 'chief audit executive' (for the Council that is the HoIAS) must prepare (at least annually) a conclusion at the level of the organisation about the effectiveness of governance, risk management and/or control. The conclusion should be in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control.
 - b. The HoIAS must also report annually on the results of quality assessment carried out, including progress against action plans to address instances of non-conformance to the GIAS UK public sector.

6. The Code states that: -
 - a. Annually, the audit committee (the Committee) must review the results of the HoIAS assessment of conformance against GIAS in the UK public sector, including any action plan. The Committee must review the HoIAS annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives.
 - b. Where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns should be formally recorded and reported to those charged with governance. If resource issues result in a limitation of scope on the annual conclusion, this should also be reported and disclosed in the annual governance statement.

The HoIAS' Annual Report 2025-26

7. The detailed annual report for 2025-26 is provided in the **Appendix**. Although not a GIAS UK public sector requirement, the annual report will be made available to all members of the County Council. The report includes the HoIAS' overall conclusion.

Overall conclusion - Reasonable assurance (*) is given that the Council's governance, risk management and control has remained overall adequate and effective during 2025-26.

(*) Reasonable assurance is a positive statement. It reflects the understanding that internal controls can reduce risks to an acceptable level but cannot eliminate all risk.

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, eight audits (from 61 completed) either contain high importance (HI) recommendations or a partial assurance rating and were reported in summary to Committee during the year. There was a small 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.

Assurance was provided by Nottingham City Council Internal Audit which completed all four of its planned audits of EMSS main financial systems and gave an overall very positive conclusion. Other assurances were taken from the (External) Auditor's Annual Report and verbal assurance for the Chief Internal Auditor of the company that provides prepaid card services for adults and children's direct payments.

The HoIAS overall conclusion will also be reported in the AGS for 2025-26.

8. **Annex 1** lists the audits undertaken during the year. For assurance audits the individual audit conclusion is given. The Annex also contains details of other relevant work undertaken.
9. **Annex 2** provides the Head of Internal Audit at Nottingham City Council Annual Report & Opinion on EMSS 2025-26
10. **Annex 3** provides a summary of the HoIAS self-assessment against the GIAS UK public sector. Whilst the Service 'generally conforms' (the highest rating) there are some improvement actions.
11. **Annex 4** is the revised Service Quality Assurance Improvement Programme with a similar action plan.
12. Headlines from the report are: -
 - a. The HoIAS overall conclusion on the Council's governance, risk management and/or control 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 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. Customer satisfaction remained positive.

- f. The Service generally conforms to relevant internal audit standards with some improvement actions

Resource Implications

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

Equality and Human Rights Implications

14. There are **no specific** equality and human rights implications contained within the annual summary of work undertaken.

Recommendations

15. It is recommended that
- a) the Committee **notes** the Internal Audit Service annual report for 2025-26 (attached as an appendix);
 - b) a copy of the Annual Report for 2025-26 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
Global Internal Audit Standards in the UK Public Sector

Circulation under the Local Issues Alert Procedure

None

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List of Appendices

- Appendix Internal Audit Service Annual Report 2025-26
- Annex 1 Summary of Internal Audit Service work supporting the HoIAS 2025-26 conclusion
- Annex 2 Head of Internal Audit at Nottingham City Council Annual Report & Opinion on EMSS 2025-26
- Annex 3 Overall conformance with the Global Internal Audit Standards in the UK Public Sector summary
- Annex 4 Quality Assurance Improvement Programme - June 2026

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