



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Annual Report 2024/25

INTRODUCTION

- 1.1 This is the annual report of the Chief Audit Executive (Audit Manager) as required by the Public Sector Internal Audit Standards (PSIAS). It covers the period 1 April 2024 to 31 March 2025 for North West Leicestershire District Council.
- 1.2 This report includes the Audit Manager's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is formulated by taking in to account the following –
- All audits completed during the year.
 - Any follow up actions taken in respect of audits from previous periods.
 - High priority recommendations not accepted by management or acted upon and any associated risks.
 - The effect of any significant changes in the Council's objectives, activities or systems.
 - Matters arising from previous reports to the Audit and Governance Committee.
 - Whether any limitations have been placed on the scope of Internal Audit (there have not been any).
 - The extent to which resources constraints may impinge upon the Internal Audit Manager's ability to meet the full audit needs of the Council.
 - What proportion of the Council's audit need has been covered to date.
 - The results of work performed by other assurance providers including the work of the External Auditors.
- 1.3 This report also includes:
- A summary of internal audit work carried out during 2024/25 which supports the opinion.
 - Issues relevant to the preparation of the Annual Governance Statement.
 - Internal Audit's Quality Assurance and Improvement Programme (QAIP).
 - A statement on conformance with the Public Sector Internal Audit Standards.

2. CHIEF AUDIT EXECUTIVE (AUDIT MANAGER) OPINION 2024/25

- 2.1 Resources both within the Internal Audit team and the areas audited have continued to cause difficulties during 2024/25, with audits being delayed or taking longer to complete due to availability of staff.

Internal audit continued to provide the additional support required for assurance on grants.

- 2.2 In line with the Public Sector Internal Audit Standards, Internal Audit has worked flexibly throughout the year whilst still ensuring a sufficient, although reduced, level of audit coverage to allow me to give an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control (the control environment). In giving this opinion, it should be noted that assurance cannot be absolute.

- 2.3 For the 12 months ended 31 March 2025, I am only able to give **limited assurance** on the overall control environment. To be consistent with our Internal Audit opinion definitions, this means that significant gaps, weaknesses, or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the areas audited. As this is not a positive assurance overall it is expected that a corporate management action plan will be put in place to respond to this annual opinion.
- 2.4 My opinion is based on the following:
- All internal audit work undertaken during the year, this includes advisory work as well as assurance and supports the view on internal control arrangements.
 - Follow up audit work in respect of audit recommendations.
 - My knowledge of the Council's governance and risk management structure and processes.
- 2.5 There have been no impairments to the independence of internal auditors during the year.
- 2.6 It is acknowledged that there has been a significant focus on improving the governance across all areas of the Council, with a revised governance toolkit, governance training, and a full review of the Council's approach to risk management. The impact on these initiatives cannot be commented on within this report as audits were not carried out within these areas during 2024/25. These improvements should have an impact on the audits due to be carried out during 2025/26.

3. SUMMARY OF INTERNAL AUDIT WORK DURING 2024/25

- 3.1 The risk based internal audit plan for 2024/25 was presented and approved by the Audit and Governance Committee on 24 April 2024. Progress against this plan has been reported to Audit and Governance Committee throughout the year as part of the quarterly Internal Audit progress reports.
- 3.2 A summary of the audit opinions given in 2024/25 is detailed in Table 1 below. The opinion for individual audits is included in Appendix A for information, along with a comparison of the work delivered against the audit plan.

Table 1

Opinion	Definition	Number
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited	0
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited	4
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	4

No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited	-
Total number of audit reports		8

- 3.3 Three of the Council's key financial systems (Benefits, Business Rates and Council Tax) are provided by the Leicestershire Revenues and Benefits Partnership. The internal audit service at the Partnership was provided by Mazars, there have been no audits reported for this service for the year 2024/25.
- 3.4 Internal Audit follows up progress against recommendations in line with the timescales agreed at the time of issuing reports. The Corporate Leadership Team is updated monthly on the progress of the recommendations and Audit and Governance Committee is updated on the Council's progress against the recommendations as part of the quarterly Internal Audit progress reports, as well as giving details of ongoing or overdue recommendations. A summary of the recommendation tracking results for 2024/25 is included at Appendix B.

4. ISSUES RELEVANT TO THE PREPARATION OF THE ANNUAL GOVERNANCE STATEMENT

- 4.1 The Internal Audit team has issued four audit reports with limited assurance during 2024/25, additionally, due to the number of outstanding recommendations from 2023/24 relating to the key financial controls, a decision was made not to carry out further audits in this area but to review the recommendations and confirm if they were also relevant to the financial year 2024/25, this was due to the majority of the recommendations not being able to be implemented related to the issues with the financial system, Unit 4. These should be considered when preparing the Annual Governance Statement:
- **Housing Compliance**
The main areas identified for improvement were the updating of policies and procedures to meet the requirements of the Housing Regulator, contract management, and gas safety compliance.
 - **Housing Contract Management**
The main areas identified for improvement were key procedures require documenting, contract management and performance, documentation and approval of variations, and the introduction of prepayment checks and approvals prior to payment.
 - **IT Security Management**
The main areas identified for improvement were content of the Information Security Policy, role of the designated admins in service areas, use of live data systems for testing.
 - **Unit 4 Application Review**
The main areas identified for improvement included issues relating to application security controls, development and use of reports, and housekeeping processes.

There were no audit reports issued without any assurance during 2024/25.

A number of high priority recommendations were made in respect of other audit reviews undertaken, however, as they tend to relate to specific systems and/or process within a service area, I do not consider it necessary to include them in the Annual Governance Statement.

The Section 151 Officer receives all Internal Audit reports issued therefore they are also able to make their own assessment when completing the Annual Governance Statement should they be of a different opinion.

5. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP) FOR INTERNAL AUDIT

- 5.1 The Public Sector Internal Audit Standards (PSIAS) require the QAIP to include internal and external assessments (see Appendix C for more detail).
- 5.2 The internal assessments applicable to 2024/25 include the following:
- Monthly performance review meetings attended by the Audit Manager and the Head of Legal and Support Services as well as regular meetings with the Director of Resources (S151 Officer).
 - Customer satisfaction surveys were sent out to all Team Managers and/or Team Leaders who had an audit in their service area. Only one survey has been received during 2024/25.
 - Quarterly progress reports to the Corporate Leadership Team and Audit and Governance Committee which include monitoring of activity and performance.
- 5.3 The PSIAS require external assessments to be conducted at least once every five years. In December 2020 the shared internal audit service had an external quality assessment, and the full report was presented to Audit and Governance Committee on 20 January 2021.
- 5.4 It was the assessor's opinion that Internal Audit at Blaby, Charnwood and North West Leicestershire Councils **conforms with the PSIAS**.
- 5.5 In addition to delivering the annual audit plan and opinion, Internal Audit have added value in the following ways:
- Providing assurance on various grants during the year.
 - Providing ad-hoc advice throughout the year to a wide range of services to help ensure that internal controls are maintained or strengthened.
 - The continued delivery of a successful shared service to Blaby District Council and Charnwood Borough Council. This adds value to all Councils as the audit team shares learning, expertise and best practice.

6. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 6.1 The external assessment conducted in December 2020 concluded that there were no significant gaps in compliance.
- 6.2 I can confirm that during 2024/25 the Internal Audit Shared Service conformed to the Public Sector Internal Audit Standards.

RESULTS OF INDIVIDUAL AUDIT ASSIGNMENTS AGAINST THE 2024/25 AUDIT PLAN

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Housing Compliance	Audit	28	26	Completed	Limited	-	6	1	-	
Housing Contract Management	Audit	36	14	Completed	Limited	-	9	5	-	
Housing Materials	Audit	10	1	In progress						Addition to plan
Choice Based Lettings	Audit	7	12	Completed	Reasonable	-	2	2	1	
Tree Stock Management	Advisory	8	3	Completed	N/A					
Waste Services	Advisory	6	1.5	Completed	N/A					
Commercial Waste	Audit	14		Postponed	N/A					
Insurance	Audit	8	15	Completed	Reasonable	-	3	1		
VAT & Benefits in Kind	Audit	10	-	Cancelled	N/A					Cancelled due to other additions to the plan.
Key Financial Systems	Audit	55	5	Completed	N/A					See details in section 4 above.
Regeneration Projects	Consultancy	20	22	Completed	N/A					
Rent Accounting	Audit	5		Completed	Reasonable	-	1	3	-	
IT Audit – IT Security Management	IT Audit Contractor	10		Completed	Limited	-	7	7	-	
IT Audit – Unit 4 Application Review	IT Audit Contractor	10		Awaiting Management Responses	Limited	-	8	10	2	
Net Zero	Advisory	8	1	Completed	N/A	-	-	-	-	Changed to advisory to support the work carried out by Unipart.
Driver Checks	Advisory	6	13	Completed	N/A					
Transformation Projects	Advisory	3	0.5	Completed	N/A					
Complaints	Audit	12	2	Completed	Reasonable	-	-	2	1	

UKSPF	Audit	8	2	In progress					
Procurement & Contract Management	Audit	12	-	Cancelled	N/A				Cancelled until 2025/26 due to the delay in the changes in legislation.
TA Accounts	Assurance	-	8.5	Completed	N/A				
Housing Decarbonisation Grant	Grant Assurance	5	3	Completed	N/A				
UKSPF	Advisory	-	5	Completed	N/A				Addition to plan
Corporate Property Projects	Advisory	-	1.5	Completed	N/A				Addition to plan
Grant sign-off	Assurance	-	1	Completed	N/A				

Recommendations key – see Appendix B

SUMMARY OF INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP 2024/25

Internal Audit follows up progress against critical, high, and medium priority recommendations in line with the timescales agreed at the time of issuing reports. The progress of recommendations is reported to the Corporate Leadership Team monthly and any overdue and extended recommendations are highlighted to Audit Committee.

The table below shows the progress against recommendations made by Internal Audit during 2024/25. The reason that there is such a high number of recommendations in progress or not yet due is due to the timings of the audit, with some audits not yet being finalised, and the agreed implementation dates not then being until 2025/26, these will continue to be reported to Audit Committee.

Recommendation Priority	Recommendations Made	Recommendations Implemented	Recommendations Outstanding (In Progress or Not Yet Due)	Recommendations Overdue
Critical	-	-	-	-
High	36	9	27	-
Medium	31	11	20	-
Total	67	20	47	-

Level	Definition
Critical	Recommendations which are of a very serious nature and could have a critical impact on the Council, for example to address a breach in law or regulation that could result in material fines/consequences.
High	Recommendations which are fundamental to the system and require urgent attention to avoid exposure to significant risks.
Medium	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Low/Advisory	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed. Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME 2024-25

Activity	PSIAS	Result/comments	Frequency
External Quality Assessment	1310	December 2020 Assessment - no significant gaps in compliance.	Every 5 years.
Annual Declaration of Interests	1130	Forms completed in April 2024, this includes Code of Ethics and Principles.	Annual
Customer satisfaction surveys	1311	One received for 2024/25. Positive satisfaction.	After each audit
Performance indicators reported in progress reports	1311	Performance indicators included in all quarterly reports to corporate leadership team and Audit Committees.	Quarterly
Improvement actions/continuous improvement	1311	An internal action plan produced for 2024/25 detailing improvement actions which included rolling review of the internal audit service to ensure compliance with standards.	Ongoing
Review of all audit engagements and reports	1311, 2340	All audit engagements and reports are reviewed by the audit manager to ensure compliance with PSIAS in terms of meeting audit objectives and quality.	Every audit
Monthly performance reporting and meetings	1311	Monthly performance meetings with Head of Legal and Support Services (Monitoring Officer) and the Director of Resources (S151 Officer). Reporting lines changed during November 2024 and monthly performance meetings are now held with the Director of Resources (S151 Officer) only.	Monthly
Annual review of internal audit charter	1000	Shared Service Charter update was postponed until March 2025 to ensure that it reflected the new Global Internal Audit Standards. The new Charter was presented to Audit and Governance Committee in April 2025. Annual review will now take place in March for approval in April.	Annual

Performance and development review process for staff and training and development records.	1200	All review meetings with the team have taken place and the training and development recorded within system for all training and development identified and completed. Officers recording their CPD in line with their professional body requirements do not need to duplicate records.	Bi- annual review meetings
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