APPENDIX 1

INTERNAL AUDIT SHARED SERVICE

Blaby District Council

Internal Audit Annual Report 2025/26

1. INTRODUCTION

1.1 This report is the Annual Report of the Chief Audit Executive (Audit Manager) for Blaby District Council for the period 1 April 2025 to 31 March 2026, prepared in accordance with the Global Internal Audit Standards, the Application Note for the Public Sector, and the CIPFA Code of Practice on the Governance of Internal Audit.

1.2 The purpose of this report is to provide an independent annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control, together with a summary of the work that supports that opinion.

1.3 This report also includes:

- A summary of internal audit work undertaken during 2025/26
- Key issues relevant to the preparation of the Annual Governance Statement (AGS)
- The results of Internal Audit's Quality Assurance and Improvement Programme (QAIP)
- A statement on conformance with professional internal audit standards

2. CHIEF AUDIT EXECUTIVE (AUDIT MANAGER) OPINION 2025/26

2.1 In accordance with the Global Internal Audit Standards, Internal Audit has delivered a programme of risk-based assurance and advisory work during the year. Sufficient audit coverage has been achieved to support the provision of an annual opinion, recognising that assurance cannot be absolute.

2.2 Annual Opinion

For the 12 months ended 31 March 2026, I am able to provide reasonable assurance that the Council has a generally sound framework of governance, risk management and internal control in place.
This means that, in the areas reviewed, systems are operating adequately, although some weaknesses and opportunities for improvement were identified which may put at risk the achievement of objectives if not addressed.

2.3 Basis of Opinion

In forming this opinion, I have considered:

- All internal audit work completed during the year, including assurance and advisory engagements
- The results of follow-up work on previously agreed recommendations
- The outcomes of individual audit assignments and the level of assurance provided
- Evidence of management action taken to address identified risks and control weaknesses
- Relevant assurances from other sources, where appropriate
- The extent of audit coverage achieved against the approved audit plan

No significant limitations were placed on the scope of internal audit work during the year. The opinion is therefore based on sufficient and appropriate audit evidence, although it is recognised that not all areas of the Council's operations are subject to internal audit review each year.

2.4 **Internal Audit Independence**

The Internal Audit function operates in accordance with an approved Internal Audit Charter and has appropriate organisational independence. The Audit Manager reports functionally to the Audit and Corporate Governance Committee and has unrestricted access to records, personnel and premises.

There have been no impairments to independence during the year.

3. SUMMARY OF INTERNAL AUDIT WORK DURING 2025/26

3.1 The risk-based Internal Audit Plan for 2025/26 was approved by the Audit and Corporate Governance Committee and was designed to provide assurance over key risks facing the Council.

Progress against the plan has been reported throughout the year to senior management and the Committee. The level of audit work completed is considered sufficient to support the annual opinion.

3.2 A total of 10 audit reports were issued during the year, with the following assurance levels:

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	2
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	7
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.	1
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	10

These results demonstrate that the majority of systems reviewed were operating with reasonable or substantial assurance, with a small number of areas requiring improvement.

3.3 Internal Audit follow up progress against recommendations in line with the timescales agreed at the time of issuing reports. The Audit and Corporate 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 2025/26 is included at Appendix B.

Follow-up of Recommendations

Internal Audit monitors progress against agreed recommendations and reports regularly to the Audit and Corporate Governance Committee.

During 2025/26:

- 34 recommendations were made.
- 3 recommendations have been implemented to date.
- The remainder are either in progress or not yet due for implementation.

Internal Audit will continue to monitor outstanding actions to ensure that identified risks are appropriately mitigated.

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

4.1 One audit review resulted in a limited assurance opinion, which indicates significant weaknesses in governance, risk management or internal control arrangements.

This area should be considered when preparing the Annual Governance Statement:

Procurement and Contract Management

Weaknesses were identified in compliance with Contract Procedure Rules, maintenance of the contract register, contract execution, and procurement processes. These issues increase the risk of regulatory non-compliance, ineffective oversight, and failure to achieve value for money.

4.2 Management actions have been agreed to address these issues, and Internal Audit will monitor progress through follow-up work.

5. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

5.1 The Global Internal Audit Standards require an ongoing Quality Assurance and Improvement Programme (QAIP) covering all aspects of the internal audit activity, including both internal and external assessments.

5.2 Internal quality assurance arrangements during 2025/26 included:

- Review of audit plans, working papers and reports by the Audit Manager.
- Regular performance monitoring and reporting to senior management and the Committee.
- Customer satisfaction surveys, which indicated positive feedback overall.
- Ongoing review of compliance with professional standards.
- Annual review and update of the Internal Audit Charter.

5.3 An external quality assessment was last completed in December 2020, with no significant issues identified. A further external assessment has been deferred and will take place during 2026/27.

5.4 **Conclusion on Effectiveness**

Based on the results of the QAIP, I am satisfied that the Internal Audit function:

- Is operating effectively
- Continues to comply with professional standards in most areas
- Has appropriate processes in place to support continuous improvement

Internal Audit has also added value through the provision of advisory support and shared service working, supporting improved governance across the organisation.

6. CONFORMANCE WITH THE GLOBAL INTERNAL AUDIT STANDARDS

6.1 The Internal Audit Shared Service has assessed its conformance with the Global Internal Audit Standards, the supporting Application Note, and the CIPFA Code of Practice.

6.2 During 2025/26, the service generally conforms to these standards.

Minor areas for improvement have been identified, primarily relating to:

- The timing of the next external quality assessment.
- Ongoing enhancements to documentation and quality processes.

These areas are included within the QAIP action plan and will be addressed during 2026/27.

6.3 The delay in the external assessment has been agreed with senior management and the Audit and Corporate Governance Committee and does not materially affect the overall assurance opinion.

Appendix A

RESULTS OF INDIVIDUAL AUDIT ASSIGNMENTS AGAINST THE 2025/26 AUDIT PLAN

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
IT Health Check	Audit	10	10.5	Complete	Reasonable		4	7	2	
Food Waste Project	Advisory	3	-	As required						
Disabled Facilities Grant Determinations	Grant	3	3	Complete	N/A					
Climate Change Strategy	Audit	10	7.5	Complete	Reasonable	-	1	2	-	
Licensing (Street Trading)	Audit	10	4.5	Due for debrief						
Data Protection	Audit	15	16	Due for debrief						
NNDR	Audit	4	2	Complete	Substantial	-	-	-	-	
Creditors	Audit	10	4	Complete	Reasonable	-	-	-	-	
Debtors	Audit	4	0.5	Complete	Reasonable	-	-	-	-	
Main Accounting	Audit	10	5	Management Review						
Council Tax	Audit	4	4	Management Responses	Reasonable	-	-	3	1	
Benefits	Audit	4	3.5	Complete	Substantial	-	-	-	-	
Treasury Management	Audit	4	3	Complete	Reasonable	-	-	2	-	
Payroll	Audit	4	2	Management Review						
Insurance	Audit	8	9	Complete	Reasonable	-	-	1	-	
Benefits Subsidy	Advisory	5	3	Complete	N/A					
Planning	Audit	15	11	Management Review						
Fleet Management and Grey Fleet	Audit	10	16	Debrief meeting booked						
Procurement and Contract Management	Audit	15	18.5	Complete	Limited	-	7	1	-	
Devolution and LGR Support	Advisory	4	-	As required						

Recommendations key – see Appendix B.

Appendix B

SUMMARY OF INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP 2025/26

Internal Audit follow up progress against critical, high and medium priority recommendations in line with the timescales agreed at the time of issuing reports. Any overdue recommendations are highlighted to the Audit and Corporate Governance Committee. The table below shows the progress against recommendations made by Internal Audit during 2025/26.

Recommendation Priority	Recommendations Made	Recommendations Implemented	Recommendations Not Yet Due
Critical	-	-	-
High	12	3	9
Medium	16	6	10
Total	28	9	19

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.

Appendix C

QAIP Mapping to GIAS Principles

QAIP Activity	GIAS Domain / Principle	What the Standard Requires	Result/comments
External Quality Assessment	Domain V: Quality Assurance (External Assessments)	Independent external assessment at least every 5 years	External review completed in Dec 2020, next scheduled 2026/27, providing independent validation of conformance
Internal Assessment (Ongoing Monitoring)	Domain V: Quality Assurance (Ongoing Monitoring)	Continuous monitoring of audit performance and quality	Audit Manager reviews plans, working papers and reports to ensure compliance and quality standards
Periodic Internal Assessments	Domain V: Quality Assurance (Periodic Self-Assessment)	Periodic internal reviews to assess conformance and performance	Due to staffing this has yet to be introduced. This will be carried out from Q2 2026/27 onwards.
Review of Audit Engagements	Domain III: Performing Internal Audit Services (Quality & Supervision)	Engagements must be properly supervised and reviewed	All audits are subject to supervisory review prior to issue to ensure quality and compliance
Customer Feedback Surveys	Domain IV: Managing the Internal Audit Function (Stakeholder Engagement)	Internal audit should demonstrate value and responsiveness to stakeholders	Feedback surveys confirm satisfaction and are issued following finalisation of each audit.
Performance Reporting	Domain IV: Managing the Internal Audit Function (Accountability & Reporting)	Regular reporting to senior management and the board	Quarterly reports to SLT and Audit and Corporate Governance Committee demonstrate transparency and accountability
Improvement and Action Planning	Domain V: Quality Assurance (Continuous Improvement)	Continuous improvement processes must be in place	Due to staffing this has not been documented. This will be introduced from Q2 2026/27 onwards.
Internal Audit Charter Review	Domain II: Governance of Internal Audit (Mandate & Authority)	Internal audit must have an approved, regularly reviewed charter	Annual review ensures alignment with GIAS and CIPFA and is approved by the Audit and Corporate Governance Committee annually in April.
Independence and Objectivity Declarations	Domain II: Independence & Objectivity	Internal auditors must be independent and free from bias	Annual declarations confirm independence safeguards are in place and are completed annually.
Management Engagement and Oversight	Domain II: Governance Relationships	Effective communication with senior management and the board	Monthly meetings support oversight, risk awareness and governance alignment.

Conclusion on Quality Assurance

The QAIP provides assurance that:

- Internal Audit activity conforms with the Global Internal Audit Standards in most areas
- Audit work is subject to appropriate supervision and quality review
- There are effective arrangements in place for continuous improvement
- Stakeholder feedback confirms that Internal Audit provides value-added services

Any identified areas for improvement, including those relating to external assessment timing and documentation enhancements, are being progressed through the QAIP action plan and will be addressed during 2026/27.

The Quality Assurance and Improvement Programme has been designed to align with the Global Internal Audit Standards across all domains, including governance, independence, performance, and quality assurance.

The mapping above demonstrates that Internal Audit has established appropriate mechanisms for ongoing monitoring, periodic assessment, and continuous improvement, supported by independent external validation.

Collectively, these arrangements provide assurance that the Internal Audit function is operating effectively and in general conformance with the Global Internal Audit Standards.