

# Internal Audit Progress Report 2025/26

Date: 17 September 2025

APPENDIX 1

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## Background



- 1 Internal audit provides independent and objective assurance and advice about the council's operations. It helps the organisation to achieve its overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control, and governance processes.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Global Internal Audit Standards and the Application Note: Global Internal Audit Standards in the UK Public Sector.
- 3 In accordance with the Global Internal Audit Standards (UK Public Sector), the Head of Internal Audit is required to report progress against the internal audit plan (the work programme) agreed by the Governance & Audit Committee, and to identify any emerging issues which need to be brought to the attention of the committee.
- 4 The internal audit work programme for 2025/26 was agreed by this committee in March 2025.
- 5 Veritau has adopted a flexible approach to work programme development and delivery. Work to be undertaken during the year is kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the council.
- 6 The purpose of this report is to update the committee on internal activity up to 5 September 2025.

## Internal audit progress



- 7 A summary of internal audit work currently underway, as well as work finalised in the year to date, is included in annex A.
- 8 Since our last report to this committee, five audits have been finalised and two audits have reached draft report stage. Annex A summarises critical or significant findings from the five completed audits (where applicable) and includes actions agreed with management to address identified control weaknesses.
- 9 10 audits are in progress the time of reporting. Some of these are approaching the latter stages of fieldwork, having commenced earlier in 2025/26. A number are at earlier stages as they have started during the current quarter. We expect the outcomes from ongoing audits to be reported to this committee in November. At the time of reporting, background planning has begun on an additional eight audits, and one further audit (payroll) will commence towards the end of September.
- 10 In addition to the audits mentioned in paragraphs 8 and 9, we have also continued to support the council by certifying a number of central

government grants, and undertaking consultative engagements. More information is provided in Annex A.

- 11 The 2025/26 work programme, showing current priorities for internal audit work, is included in Annex B.
- 12 Annex C provides the definitions for our audit opinions and finding ratings. This can be referred to, to help interpret information presented in annex A.

## Follow up of agreed actions



- 13 All actions agreed with services as a result of internal audit work are followed up to ensure that issues are addressed. As a result of this work, we are satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits.
- 14 A summary of the current status of follow up activity is included in Annex D.

## ANNEX A: INTERNAL AUDIT WORK IN 2025/26

### Audits in progress

Audit	Status
School themed audit: purchasing and best value	In draft
ICT network security	In draft
Contract management: Social Care & Education	In progress
Adults commissioning: NHS	In progress
Direct payments and short breaks (adults and children)	In progress
Housing rents	In progress
ICT supplier management	In progress
Grant-funded schemes: compliance	In progress
Democratic governance and decision making	In progress
Recruitment, selection, and onboarding	In progress
Climate Ready Leicester Plan	In progress
Physical information security compliance	In progress
Data security incident management	Planning
Housing benefits	Planning
Event management	Planning
Right To Buy	Planning
Planning performance	Planning

Contract management: CDN	Planning
School themed audit: capital programme	Planning
Home to school transport	Planning
Payroll	Not yet started

### Final reports issued

Audit	Reported to committee	Opinion	Count of findings by priority			
			Critical	Significant	Moderate	Opportunity
Ordering and creditor payments	July 2025	Substantial Assurance	0	0	1	0
Highways maintenance scheme development	July 2025	Reasonable Assurance	0	2	1	0
Homelessness (high-cost accommodation)	July 2025	Reasonable Assurance	0	3	0	0
School traded services (educational psychology)	July 2025	Reasonable Assurance	0	3	0	0
Agency and consultancy	July 2025	Substantial Assurance	0	0	3	0
High needs funding	July 2025	No Opinion Given	0	2	3	0

Bereavement services	September 2025	Substantial Assurance	0	0	0	0
Risk management	September 2025	Substantial Assurance	0	0	2	0
Council tax and NNDR: arrears management	September 2025	Substantial Assurance	0	0	3	0
Sundry debtors	September 2025	Substantial Assurance	0	0	1	0
Procurement compliance	September 2025	Reasonable Assurance	0	1	2	0

#### Summary of critical and significant findings (audits reported to the committee for the first time)

Audit		
Procurement compliance		
Finding priority & title	Finding summary	Agreed action(s) and timescale(s)
<b>Significant</b>	There was a 79% increase in the use of waivers between 2023/24 and 2024/25, with 61 waivers required in 2024/25. A review of a sample of waivers identified instances where waivers had been granted due to a lack of forward planning, had been granted after the contract had been awarded, and had been granted without obtaining approval from legal.	Quarterly reporting on the number of, and reason for, waivers and exemptions is now being completed. The report will include details by directorate. <i>31 October 2025</i>
Waivers and exemptions		

## Other work in 2025/26

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- ▲ Follow up of recommendations
- ▲ Grant certification work:
  - ▲ ESFA Multiply Funding
  - ▲ DBT Core Growth Hub
  - ▲ DESNZ HUG2
- ▲ Consultative engagements:
  - ▲ Concerto (LeSTAR) financial controls and interface review
  - ▲ Unit4 reimplementation project support (ongoing)
  - ▲ Leaseholder statement of accounts



## ANNEX B: CURRENT AUDIT PRIORITIES

Audit / Engagement	Rationale
<b>Strategic / corporate &amp; cross cutting</b>	
<b>Do now</b>	
Contract management: SCE	Identified in consultation with Corporate Governance Panel.
Contract management: CDN	Identified in consultation with Corporate Governance Panel.
Democratic governance and decision making	No recent coverage. Links to strategic risk (SRR 1.2)
Recruitment, selection, and onboarding	No recent coverage. Links to strategic risk (SRR 2.2)
Climate Ready Leicester Plan	Emerging risk area. Links to strategic risk (SRR 5.1)
Physical information security compliance	Links to strategic risk (SRR 4.3). Provides coverage of key assurance area.
Data security incident management	Links to strategic risk (SRR 4.3). Provides coverage of key assurance area.
<b>Do next</b>	
Contract management: corporate	Identified in consultation with Corporate Governance Panel.
Business continuity management	Risks / controls are changing. Provides coverage of key assurance area.
Savings delivery	Links to strategic risk (SRR 2.3). Provides broader assurance.
Access to information and records management	Links to strategic risk (SRR 4.3). Provides coverage of key assurance area.
Ward community funding	No recent coverage. Links to strategic risk (SRR 1.2)
<b>Do later</b>	
Contract management: public health	

Procurement Act compliance

Organisational development/workforce planning

### Financial systems

#### Do now

Housing rents	No recent coverage. Provides coverage of a key assurance area.
Housing benefits	No recent coverage. Provides coverage of a key assurance area.
Payroll	No recent coverage. Provides coverage of a key assurance area.

#### Do next

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#### Do later

Accounts preparation

### Service areas

#### Do now

School themed audit: purchasing and best value	Emerging risk area.
Adults commissioning: NHS	Risks / controls are changing. Links to strategic risk (SRR 3.2)
Direct payments/short breaks (adults & children)	Emerging risk area. Links to strategic risk (SRR 3.1)
School themed audit: capital programme	Emerging risk area. Provides broader assurance.
Home to school transport	Emerging risk area.
Grant-funded schemes: compliance	No recent coverage. Provides broader assurance.

Events management	Links to strategic risk (SRR 3.5)
Planning performance	Identified in consultation with Corporate Governance Panel.
Right To Buy	Risks / controls are changing. Links to strategic risk (SRR3.3).

#### Do next

Children's homes and commissioning	Key risk area. Identified in consultation with Governance & Audit Committee.
Adult safeguarding	Emerging risk area.
Domiciliary Care Service (reablement)	No recent coverage. Risks / controls are changing.
Adult social care debt management	Emerging risk area. Provides broader assurance.

#### Do later

Post-19 planning
Adult Social Care Cost Mitigation Programme
Acquisitions (homelessness)
Housing allocations
Community/third sector property income management
Section 106 agreements
Building control
Gladstone membership management system
Community safety

#### Technical / projects

**Do now**

ICT network security	Provides coverage of key assurance area. Links to strategic risk (SRR 4.1)
ICT supplier management	Key area for maintenance of the council's security posture.

**Do next**

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**Do later**

ICT user access control

ICT cybersecurity (user awareness and training)

ICT server administration and security

ICT cyber security (vulnerability management)

## ANNEX C: AUDIT OPINIONS AND FINDING PRIORITIES

### Audit opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on four grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

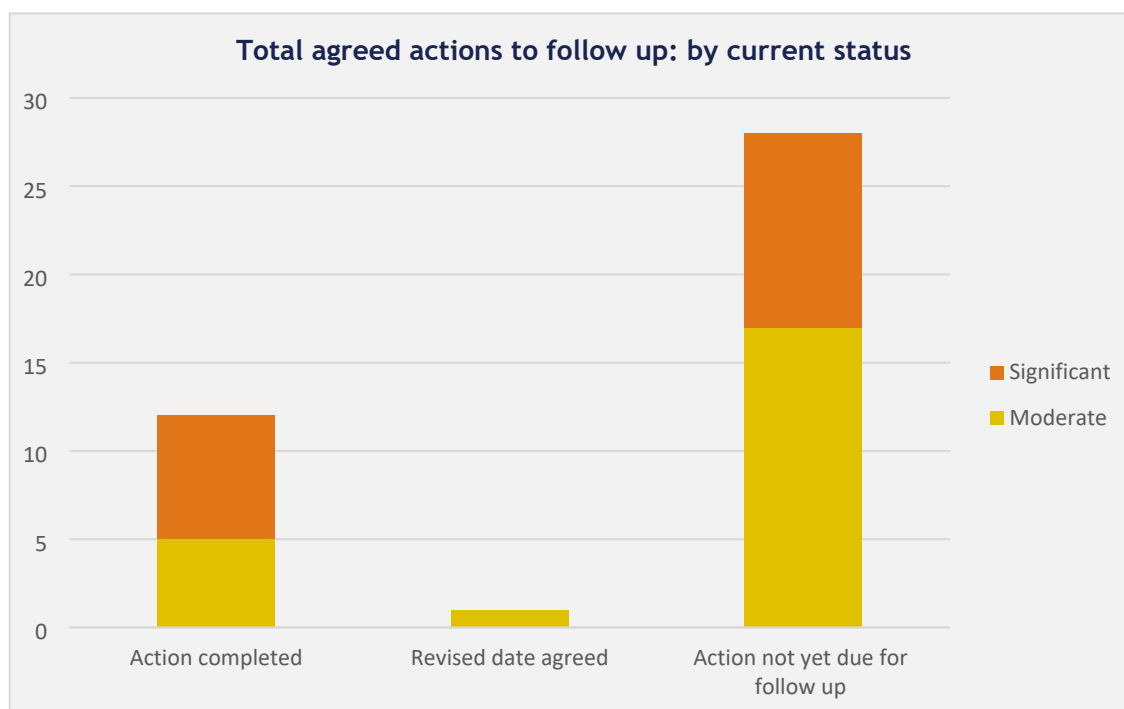
### Finding ratings

Critical	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Significant	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Moderate	The system objectives are not exposed to significant risk, but the issue merits attention by management.
Opportunity	There is an opportunity for improvement in efficiency or outcomes but the system objectives are not exposed to risk.

## ANNEX D: FOLLOW UP OF AGREED ACTIONS

- 1 Follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary.
- 2 Where responsible officers have not taken the action they agreed to, issues are escalated to more senior officers. Ultimately, they may be referred to the Governance & Audit Committee in accordance with the follow-up and escalation procedure.
- 3 In figure 1, below, the status of agreed actions from follow-up activity undertaken between 1 April 2025 – 5 September 2025 is shown.
- 4 For clarity, the figure shows the results of follow up activity for this period, regardless of when actions were originally due (that is, it includes actions which were due prior to 1 April 2025).
- 5 For completeness, it also shows actions which have been agreed in finalised audits, but which have not yet fallen due and so have not been followed up.

*Figure 1: Total agreed actions by current status*



- 6 A total of 13 actions have been followed up so far this year. Of these, 12 have been satisfactorily implemented. 28 actions are not yet due for follow-up as their original implementation date has not passed at the time of reporting.
- 7 One action has had its original implementation timescale extended, with a revised implementation date being agreed with the action owner. This action was to make improvements to the information governance case management system. We agreed to extend the timescale for completion to

31 March 2026, by which time a new system will have been implemented. No further mitigating controls are needed because the other completed actions from this audit address the most significant lack of functionality in the short term.

- 8 We agree revised dates where the delay in addressing an issue will not lead to unacceptable exposure to risk and where the delays may be unavoidable. However, the committee should be aware that lengthy or continued revised dates do inevitably lead to a degree of risk exposure to the council.
- 9 At the time of reporting, no actions are overdue.