

# Internal Audit Progress Report 2024/25

Date: 5 December 2024

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 Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government, and the CIPFA Statement on the role of the Head of Internal Audit.
- 3 In accordance with the PSIAS 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 the remainder of 2024/25 was agreed by this committee in September 2024.
- 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 22 November 2024.



## 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. Annex A also details other work completed by internal audit during the year.
- 8 Since our last report to this committee, the audit on information governance case management has been finalised. The central schools finance audit has also reached draft report stage.
- 9 A further 16 audits are underway at the time of reporting. All of these audits are in earlier stages as they represent audits which have started during the current quarter. We expect to report on the outcomes from these audits in the early part of 2025.
- 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 relating to Homes England funded schemes and leaseholder service recharges.
- 11 The work programme, showing current priorities for internal audit work, is included at annex B.

- 12 A total of nine audits are shown in the 'do next' category where we expect work to begin during the final quarter of 2024/25.
- 13 The programme also includes six audits in the 'do later' category. The internal audit work programme is designed to include all potential areas that should be considered for audit in the short to medium term, recognising that not all of these will be carried out during the current year (work is deliberately over-programmed).
- 14 In determining which audits will be undertaken, the priority and relative risk of each area will continue to be considered throughout the remainder of the year, and as part of audit planning for 2025/26 (which will commence towards the end of the current quarter). Consideration will also be given to the opinion framework and, in particular, coverage of the 11 key assurance areas, when prioritising any remaining work during 2024/25.
- 15 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

- 16 At the time of reporting, no actions agreed with management in internal audits completed by Veritau have become due. However, Veritau has continued to follow up high priority recommendations from internal audits completed by the council's previous internal audit provider, Leicestershire County Council.
- 17 The purpose of follow up is to ensure that issues identified during internal audit work have been satisfactorily addressed through management action. As a result of this work, we are generally satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits.
- 18 A summary of the status of follow up activity is included at annex D.

## OTHER DEVELOPMENTS

- 19 The profession's local government standards setter, CIPFA, is currently consulting on a Public Sector Application Note for the new Global Internal Audit Standards (which were released in January 2024) and an accompanying Code of Practice for the Governance of Internal Audit in Local Government.
- 20 Once both the Global Internal Audit Standards (GIAS) and Application Note come into effect on 1 April 2025, these will replace the PSIAS. There will no longer be a requirement for the PSIAS as these are fully incorporated into the GIAS and the Application Note. Taken together, the GIAS and Application Note will be referred to as the Global Internal Audit Standards (UK public sector).

- 21 The primary audience for the Code of Practice, which will also come into effect from 1 April 2025, is those charged with governance of internal audit. It is intended to support local authorities in interpreting the essential conditions for governance of internal audit, as set out in the Global Internal Audit Standards, and with how to apply them in a public sector context.
- 22 We are not anticipating that these updates to public sector internal audit standards will require any significant changes to Veritau's working practices or to the governance of the service. Future reports to this committee will explain how Veritau has responded to the new regime and will present an updated internal audit charter.

## ANNEX A: INTERNAL AUDIT WORK IN 2024/25

### Audits in progress

Audit	Status
Central schools finance	Draft
Agency staff	In progress
Procurement compliance (inc. waivers)	In progress
Contract management: Social Care & Education	In progress
Sundry debtors	In progress
Ordering and creditor payments	In progress
Housing benefits	In progress
Council Tax and NNDR: arrears management	In progress
Housing rents	In progress
School themed audit: purchasing and best value	In progress
School traded services (educational psychology)	In progress
Element 3 (high needs) funding: Leicester College	In progress
Adults commissioning: NHS	In progress
Homelessness (high-cost accommodation)	In progress
Landlord regulatory standards	In progress
Highways maintenance scheme development	In progress
Gladstone membership management system	In progress

## Final reports issued

Audit	Reported to committee	Opinion	Count of findings by priority			
			Critical	Significant	Moderate	Opportunity
Information governance: case management	December 2024	Reasonable Assurance	0	0	5	1

## Other work in 2024/25

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:
  - ▲ DLUHC / DfE Supporting Families
  - ▲ DfT Traffic Signal Obsolescence Grant and Green Light Fund
  - ▲ DfT Bus Subsidy (Revenue) Grant
  - ▲ DfT Local Transport Capital Funding Specific Grant
  - ▲ Historic England Heritage Action Zones
- ▲ Consultative engagements:
  - ▲ Homes England compliance audit
  - ▲ Leaseholder statement of accounts

## ANNEX B: CURRENT AUDIT PRIORITIES

Audit / Engagement	Rationale
<b>Strategic / corporate &amp; cross cutting</b>	
<b>Do now</b>	
Agency staff	Linked to strategic risk. Provides coverage of key assurance area.
Procurement compliance (inc. waivers)	Identified as an area for improvement and targeted assurance coverage.
Contract management: Social Care & Education	Identified in consultation with the Corporate Governance Panel.
<b>Do next</b>	
Risk management	Key area of corporate governance. Provides broader assurance.
Strategic Procurement Panel and business cases	Risks / controls are changing.
<b>Do later</b>	
Organisational development / workforce planning	
Contract management: City Development & Neighbourhoods	
<b>Financial systems</b>	
<b>Do now</b>	
Sundry debtors	No recent coverage. Provides coverage of a key assurance area.
Ordering and creditor payments	Key material system, with risk of error and fraud.



Housing benefits	Key material system, with risk of error and fraud.
Council Tax and NNDR: arrears management	No recent coverage. Provides coverage of a key assurance area.
Housing rents	No recent coverage. Provides coverage of a key assurance area.
<b>Do next</b>	
Financial controls and governance	Identified in consultation with the Corporate Governance Panel.
<b>Do later</b>	
-	-
<b>Service areas</b>	
<b>Do now</b>	
Central schools finance	Inherited as ongoing audit from previous provider. Emerging risk area.
School themed audit: purchasing and best value	Emerging risk area. Provides broader coverage.
School traded services (educational psychology)	Identified in consultation with senior management.
Element 3 (high needs) funding: Leicester College	Emerging risk area. Linked to strategic risk and council priorities.
Adults commissioning: NHS	Identified in consultation with senior management.
Homelessness (high-cost accommodation)	Emerging risk area. Key challenge facing the city of Leicester.
Landlord regulatory standards	Emerging risk area. New consumer standards published by RoSH.
Highways maintenance scheme development	Provides coverage of more than one key assurance area and council priority.
Gladstone membership management system	Newly implemented system. Risks / controls are changing.
<b>Do next</b>	

Direct payments / short breaks (adults and children)	Identified as an area for improvement and targeted assurance coverage.
Adult social care audit 3: TBC	Specific focus area(s) to be determined but important to council priorities.
Asylum seekers	Emerging risk area.
Concerto: post-implementation review	Newly implemented system. Risks / controls are changing.
<b>Do later</b>	
School themed audit (area TBC)	
Children leaving care	
Levelling Up projects	
Acquisitions and disposals	
<b>Technical / projects</b>	
<b>Do now</b>	
-	-
<b>Do next</b>	
ICT: network security	Key attack vector for threat actors. Provides assurance on security controls.
ICT: access control	Provides broader assurance.
<b>Do later</b>	
-	-

## ANNEX C: ASSURANCE 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 AUDIT ACTIONS

As of 1 August 2024, Veritau inherited a total of six high priority recommendations made in audits completed by the council's previous internal audit provider, Leicestershire County Council. High priority recommendations are defined as:

*"Recommendations requiring essential action by management in order to address a fundamental threat to the achievement of objectives."*

At the time of reporting, the implementation timescales for five of these high priority recommendations have passed. Follow up work has therefore been undertaken with relevant officers. The results of this follow up work are shown in the table below.

Audit	Recommendation	Implementation timescale	Status
<b>Key ICT controls</b>	Resiliency testing of the network and key applications should be planned and undertaken as soon as possible.	August 2024	Revised date agreed: 1 March 2025
<b>Direct payments</b>	Annual reviews of support plans should be undertaken to establish whether the needs of the person on direct payments have changed, and the direct payments remain appropriate.	September 2024	Overdue: no response received
<b>Fleet services invoice payments</b>	Corporate procedures should be tightened to ensure existing controls cannot be circumvented and invoice payments are made accurately, timely and only once.	September 2024	Implemented
<b>Contract management (Housing)</b>	There should be a review of contracts where there are repeated extensions and waivers, to identify the root cause and, where appropriate, provide training and support to operational managers.	October 2024	Revised date agreed: 1 December 2024

<b>Herrick Primary School</b>	The governing body should work closely with the school and the Local Authority Schools Finance team to ensure the deficit position is closely monitored and improvements are made in line with the deficit budget plan (when in place).	June 2025	Not yet due for follow up
	The school, along with the Local Authority, should take immediate action to investigate the cause of the large overdraft position on the bank balance. Once resolved, the school should ensure a positive bank balance is maintained.		

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