

# Internal Audit Progress Report 2024/25

Date: 24 March 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 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 10 March 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, the audit on the central schools finance team has been finalised. Four audits have also reached draft report stage.
- 9 A further 15 audits are underway at the time of reporting. Several of these are approaching the latter stages of fieldwork. A number are at earlier stages as they have started during the current quarter. Taken together, these audits will conclude the 2024/25 work programme.
- 10 We expect the outcomes from ongoing audits to be reported to this committee as part of the head of internal audit annual report. This will be presented to the committee at its May 2025 meeting. Work is on track to enable us to provide an annual opinion for 2025/26.
- 11 Other audits in the work programme which had been classified as 'do next' or 'do later' are being reviewed as part of the audit planning process for

2025/26, alongside new and emerging areas. Those that remain a priority will be included in the 2025/26 work programme<sup>1</sup>.

- 12 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. More information is provided in Annex A.
- 13 Annex B 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

- 14 At the time of reporting, no actions agreed with management in internal audits completed by Veritau have become due<sup>2</sup>. 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.
- 15 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.
- 16 A summary of the status of follow up activity is included at annex C.

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<sup>1</sup> The internal audit work programme includes all potential areas to 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).

<sup>2</sup> Actions agreed as part of Veritau audits will start to become due at the end of March 2025. Auditors have been assigned to monitor and verify completion of the council's agreed actions. Future reports to this committee will provide detail on the outcomes of this work.

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

### Audits in progress

Audit	Status
Highways maintenance scheme development	In draft
Ordering and creditor payments	In draft
Homelessness (high-cost accommodation)	In draft
Procurement compliance (inc. waivers)	In draft
Agency staff	In progress
Sundry debtors	In progress
Bereavement services	In progress
School themed audit: purchasing and best value	In progress
Council Tax and NNDR: arrears management	In progress
Housing rents	In progress
School traded services (educational psychology)	In progress
Element 3 (high needs) funding: Leicester College	In progress
Adults commissioning: NHS	In progress
Contract management: Social Care & Education	In progress
Direct payments and short breaks (adults and children)	In progress
Asylum seekers	In progress
Risk management	In progress

Concerto: post-implementation review	In progress
ICT audit: network security	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
Schools finance – central team overview	March 2025	Reasonable Assurance	0	1	1	0

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

Audit		
Central schools finance		
Finding priority & title	Finding summary	Agreed action(s) and timescale(s)
<b>Significant</b>	It has not been possible for all the requirements of the scheme to be fully implemented, such as issuing notices of financial concern and licensed deficit budgets. The team has been unable to claw back funds where surplus balances are high, and gain sufficient assurances that budgets are being spent to support the education and needs of the current intake.	Resource in the finance team will be increased to help with the monitoring of school balances. <i>30 April 2025</i>
Scheme for Financing Schools: control implementation		

## 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: 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 C: FOLLOW UP OF AGREED AUDIT ACTIONS

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."*

Follow up work has been undertaken with relevant officers. The results of this follow up work are presented in the table below, This shows that one recommendation has been implemented since the previous report to this committee (December 2024), the remaining four recommendations have yet to reach their original or revised implementation date.

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: 31 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	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: 31 March 2025
<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	June 2025	Not yet due for follow up

	<p>monitored and improvements are made in line with the deficit budget plan (when in place).</p>		
	<p>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.</p>		