

Internal Audit Work Programme 2025/26



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Introduction



- 1 This report sets out the proposed 2025/26 programme of internal audit work for Leicester City Council.
- 2 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the council's audit charter¹. To comply with professional standards and the charter, internal audit work must be risk based and take into account the requirement to produce an evidence-based annual internal audit opinion. Accordingly, planned work should be reviewed and adjusted in response to changes to risks, operations, programmes, systems and internal controls.
- 3 Specifically, the PSIAS require that the Head of Internal Audit "must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual internal audit opinion."
- 4 The Head of Internal Audit's annual opinion is formed following an independent and objective assessment of the effectiveness of the framework of risk management, governance and internal control. Our planned audit work includes coverage of all three areas to develop a wider understanding of the assurance framework of the council, and to produce a body of work which allows us to provide our opinion.
- 5 At the 29 January 2025 meeting of this committee, we presented our work programme consultation report. This report explained how we approach development of the work programme by using our opinion framework. In summary, by considering key areas of assurance, the council's risks, and its priorities we are able to define a body of work which will allow us to provide an opinion.
- 6 However, responsibility for effective risk management, governance and internal control arrangements remains with the council. The Head of Internal Audit cannot be expected to prevent or detect all weaknesses or failures in internal control, nor can internal audit work cover all areas of risk across the organisation.

¹As previously reported to the committee, from 1 April 2025 the PSIAS will be replaced by the Global Internal Audit Standards (GIAS) and the Application Note: Global Internal Audit Standards in the UK Public Sector. Together, these are referred to as the GIAS (UK public sector) and will represent the new standards regime to be followed. Our next report to the Governance & Audit Committee will include an updated internal audit charter which is aligned to the GIAS (UK public sector). The GIAS (UK public sector) make no substantive changes to the approach to strategic planning and so the flexible, risk-based approach in use at the council remains appropriate.

Strategic context



- 7 Leicester City Council continues to face unprecedented challenges to its medium-term financial outlook, with its latest budget setting a plan to secure its financial sustainability until 2027/28. Sustained real terms reductions in government funding combined with acute pressures arising from delivery of social care (particularly children's social care) and housing services have eroded the council's reserves. With government funding seemingly not set to increase in the short term and both cost and demand pressures showing no signs of abating, any further reductions to the council's budget are likely to stretch its ability to deliver its statutory and remaining discretionary services extremely thin².
- 8 The severity of the situation the council finds itself in has necessitated strong action. This will see £110m in revenue and capital fund reserves immediately released, reductions in the capital programme, disposal of property assets, placing constraints to growth on demand-led services, and setting a £23m per year revenue budget savings requirement.
- 9 It is important to note that the council is not alone in this situation. Estimates suggest that over half of all local authorities consider it likely that their financial position will require a S114 notice to be issued before or by 2028/29³. This is a clear indication of the scale of the challenge the sector is facing.
- 10 While the council's financial situation continues to dominate, efforts will need to be made to ensure that key aspects of risk management, governance, and control are not eroded. However, 2025/26 will also give rise to other priorities and challenges. Some of these include the reimplementation of the council's main financial system (Unit 4), its Regulator of Social Housing inspection, development and delivery of an action plan in response to the recent LGA peer review, and ensuring compliance with the Procurement Act 2023 (the biggest change in the regime for a decade).
- 11 Many of the challenges around demand-led services, particularly in social care (with an aging population, increasing complexity of need, and exposure to unfavourable market conditions) are so ingrained that they are now perennial issues impacting local authorities. The council has already begun transformative change in this area and work will continue into 2025/26.
- 12 At the same time the housing crisis continues to be an issue of strategic importance, with insufficient affordable homes being available for the council's residents to live in, and the numbers presenting as homeless increasing.

² General Fund Revenue Budget 2025/26, Council (19 February 2025)

³ The State of Local Government Finance in England 2024, Local Government Information Unit (February 2024)

- 13 In short, the council is expected to deliver more with less. Maintaining effective operational arrangements is an essential building block in delivering the council's core functions and its strategic objectives. Internal audit contributes to overall objectives by helping to ensure that systems of governance, risk management and control that underpin operational arrangements are robust.
- 14 To maximise the value of internal audit, it is vital that we provide assurance in the right areas at the right time. We have designed the processes for developing the internal audit work programme, and refining it through the year, to do that.

2025/26 Internal audit work programme



The 2025/26 indicative internal audit work programme

- 15 2025/26 will represent the first full year of Veritau's internal audit service delivery, having become the council's provider in August 2024. The proposed internal audit work programme for 2025/26 is included in annex A.
- 16 The overall level of service to be provided by Veritau is based on an indicative number of days, for planning purposes. This is 800 days for 2025/26.
- 17 The proposed areas of coverage in the 2025/26 work programme have been subject to consultation with this committee, strategic directors and their Directorate Management Teams, the Corporate Governance Panel (which includes the council's statutory officers), and with other senior officers from across the organisation.
- 18 Internal audit activity is organised into several functional programme areas. These areas are set out in table 1 below.

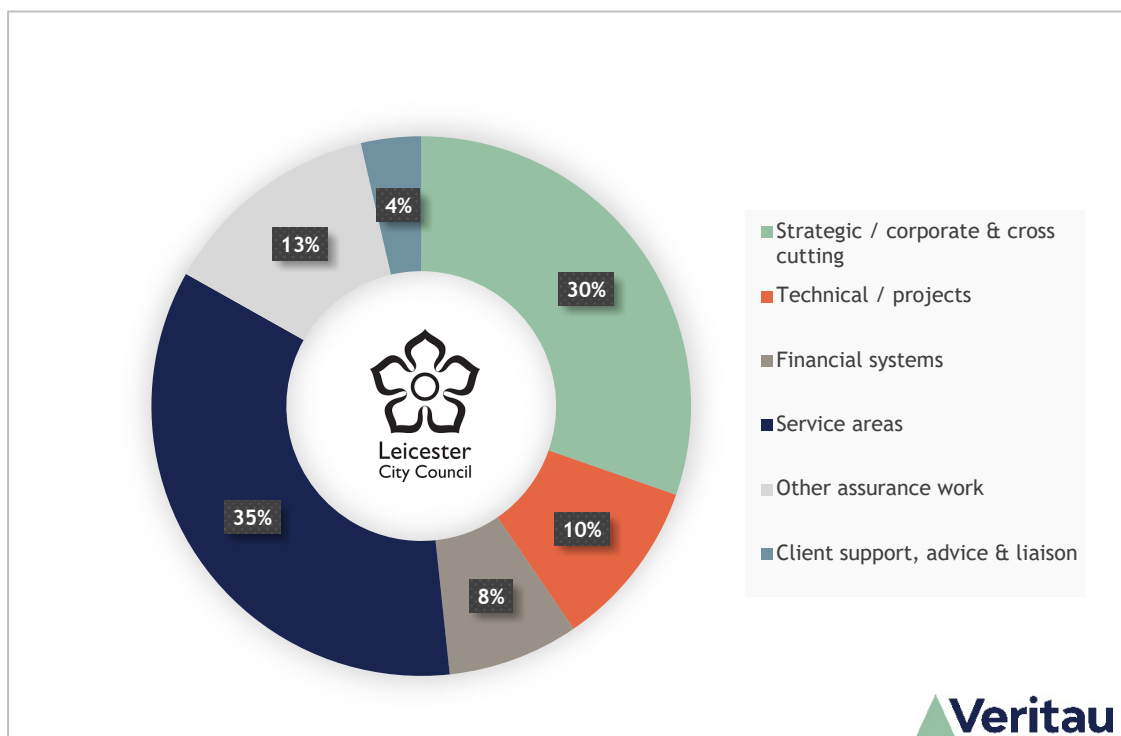
Table 1: Work programme functional areas.

Programme area	Purpose
▲ Strategic / corporate & cross cutting	To provide assurance on areas which, by virtue of their importance to good governance and stewardship, are fundamental to the ongoing success of the council.
▲ Technical / projects	To provide assurance on those areas of a technical nature and where project management is involved. These areas are key to the council as the risks involved could detrimentally affect the delivery of services.
▲ Financial systems	To provide assurance on the key areas of financial risk. This helps provide assurance to the council that risks of loss or error are minimised.

▲ Service areas	To provide assurance on key systems and processes within individual service areas. These areas face risks which are individually significant but which could also have the potential to impact more widely on the operations or reputation of the council if they were to materialise.
▲ Other assurance work	An allocation of time to allow for continuous audit planning and information gathering, grant certifications, unexpected work, and the follow up of work we have already carried out (ensuring that agreed actions have been implemented by management).
▲ Client support, advice & liaison	Work we carry out to support the council in its functions. This includes the time spent providing support and advice, and liaising with staff.

19 Figure 1 below shows the proportion of time we expect to spend delivering work across each area during the year.

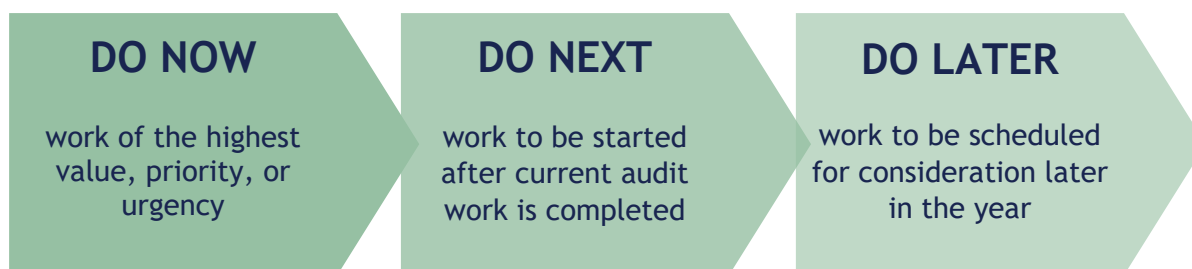
Figure 1: 2025/26 work programme: indicative functional area split.



The 'do now', 'do next', 'do later' audit prioritisation system

- 20 Once initial internal audit priorities have been identified through the application of the opinion framework, we then overlay a second system of prioritisation. This system allows us to determine the relative priority of audits included in the indicative work programme.
- 21 This second prioritisation system sees audits assigned to one of three categories, as shown in figure 2 below.

Figure 2: 'do now', 'do next', 'do later' prioritisation system.



- 22 Decisions on which of the three categories internal audit work falls into will be based on judgement, and will be made having given consideration to the prioritisation factors in table 2 below. These will result in internal audit work being considered a relatively higher or lower priority at the time of assessment.

Table 2: Internal audit prioritisation factors.

Prioritisation factors	
▲ where we have no recent audit assurance, or other sources of information	▲ where controls are changing and / or risks are increasing
▲ where we are following up previous control weaknesses	▲ where specific issues are known to have arisen
▲ areas that are of significant importance to the council, for example they reflect key objectives or high priority projects	▲ areas that provide broader assurance, for example corporate policies and frameworks
▲ areas that need to be covered to enable us to provide an annual opinion	▲ where there are time pressures or scheduling requirements, for example grant deadlines, or where work is scheduled to minimise the impact on council service areas at busy times

- 23 The above factors will be used on an ongoing basis to decide what internal audit work will be carried out, and when, during the course of the year. These decisions will be made in consultation with the council through our ongoing dialogue with senior officers. Individual pieces of work will move between the three categories, as required, based on their priority at the time of assessment.
- 24 For example, an audit scheduled for quarter two to minimise the impact on a service area may initially be classed as to 'do later' but will become 'do now' as we move into quarter two. Similarly, an audit of a council project classed as 'do now' because it represents an area of high importance may move from 'do now' to 'do next' or 'do later' if, for example, a project slips or planned work cannot be undertaken until a

specific point is reached. Towards the end of the year, audits classed as 'do later' are likely to be deferred until the following year.

- 25 It is important to re-emphasise two important aspects of the programme as a whole. Firstly, the audit activities included in annex A are not fixed. Work will be kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the council. This is to ensure the audit process continues to add value.
- 26 Secondly, it will not be possible to deliver all audit activities listed in the programme. The programme has been intentionally over-planned, to build in flexibility from the outset, while also providing an indication of the priorities for work at the time of assessment. Over-planning the programme enables us to respond quickly if we need to commence work in other areas of importance to the council when risks and priorities change during the year.
- 27 The committee will be provided with information on current internal audit priorities throughout the year as part of regular progress reporting.

ANNEX A: internal audit work programme 2025/26

Programme area	Internal audit activity
Strategic / corporate & cross cutting	<ul style="list-style-type: none"> ▲ Climate change action plan ▲ LGA peer review action plan ▲ Organisational development / workforce planning ▲ Recruitment (including establishment control), selection, and onboarding ▲ Strategic Procurement panel, A2R panel, & business case development ▲ Procurement Act compliance ▲ Contract management: City Development & Neighbourhoods ▲ Contract management: Corporate ▲ Ward community funding ▲ Grant-funded schemes: procurement compliance ▲ Democratic governance and decision-making ▲ Savings delivery ▲ Business continuity management ▲ Complaint handling ▲ Data security incident management ▲ Physical information security (Town Hall)
Technical / projects	<ul style="list-style-type: none"> ▲ ICT: access control ▲ ICT: supply chain management ▲ ICT cybersecurity – user awareness and training ▲ ICT: server administration and security ▲ ICT: cybersecurity – vulnerability management

Programme area	Internal audit activity
	<ul style="list-style-type: none"> ▲ Project management
Financial systems	<ul style="list-style-type: none"> ▲ Main accounting system (Unit 4 reimplementation) ▲ Payroll ▲ Housing benefits ▲ Leaseholder statement of accounts
Service areas	<ul style="list-style-type: none"> ▲ Adult safeguarding ▲ Domiciliary Care Service (reablement) ▲ Adult Social Care Cost Mitigation Programme ▲ Adult social care debt management ▲ Children's homes and commissioning ▲ Post-19 planning ▲ Home to school transport ▲ School themed audit: topic TBC ▲ Acquisitions (homelessness) ▲ Housing allocations ▲ Right To Buy ▲ Community / third sector commercial property income ▲ Levelling Up projects ▲ Section 106 agreements ▲ Planning performance ▲ Building control ▲ Events management

Programme area	Internal audit activity
	<ul style="list-style-type: none"> ▲ Gladstone membership management system ▲ Community safety ▲ Contract management and performance: Public Health
Other assurance work	<ul style="list-style-type: none"> ▲ Grant certifications ▲ Follow-up of previously agreed management actions ▲ Continuous audit planning and additional assurance gathering to help support our opinion on the framework of risk management, governance and internal control ▲ Attendance at, and contribution to, governance- and assurance-related working groups
Client support, advice & liaison	<ul style="list-style-type: none"> ▲ Committee preparation and attendance ▲ Key stakeholder liaison ▲ Support and advice on control, governance, and risk related issues