

Internal Audit Progress Report 2025/26

Date: 26 January 2026

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 6 January 2026.

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 four 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 Nine audits are in progress the time of reporting. The majority of these are approaching the latter stages of fieldwork, having commenced earlier in 2025/26. Some are at earlier stages of fieldwork as the audits started towards the end of quarter three. We expect the outcomes from ongoing audits to be reported to the committee at its March and July meetings.
- 10 At the time of reporting, background planning has begun on the Right to Buy audit, with a further six audits set to begin in the coming weeks. Completion of these audits will see the 2025/26 work programme concluded.

- 11 In addition to the audits mentioned in paragraphs 8-10, 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.
- 12 The 2025/26 work programme, showing current priorities for internal audit work, is included in annex B. All work is now categorised as either 'do now' or 'do later'.
- 13 Audits categorised as 'do now' will be undertaken over the remainder of 2025/26 and, once completed, will mark the conclusion of the current year's work programme.
- 14 Audits categorised as 'do later', of which there are 21, will be considered for inclusion in the 2026/27 internal audit work programme alongside other audit priorities that emerge during ongoing consultation. 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). The 2026/27 programme is currently being developed and will be presented to the committee at its March meeting.
- 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.

Contract Procedure Rules: waivers – summary of outcomes

- 16 Among the finalised audits referred to in paragraph 8 is the report on the council's use of waivers during 2024/25. This audit was requested by the committee at its 17 September 2025 meeting. It has involved a review of the five highest value waivers from across departments. A Reasonable Assurance opinion was reached.
- 17 Overall, the audit found that the council has a well-designed process in place for the consideration of waiver requests that requires input from all key stakeholders. Requests are evaluated by officers in finance, procurement and legal and require a final decision by the Divisional Director. It is clear that the council takes its procurement compliance responsibilities seriously. The requirement for a Form for Exemptions and Waivers (FEW) to be submitted brings consistency to the evaluation of requests.
- 18 Four of the five highest value waivers selected for review from 2024/25 were retrospective. This means that the requests were made after the council's Contract Procedure Rules had been breached. The volume and proportion of retrospective waivers remains higher than would be expected. However, by submitting breaches to the waiver request process, the council is ensuring that there is a consistent and proper level of scrutiny.
- 19 In respect of the waivers reviewed, the circumstances of each differed but a theme that emerged was how the council had handled contract extensions and variations. In addition to these findings, we also noted some inconsistencies in how FEWs had been completed. With minor

improvements to how information is recorded in FEWs, arrangements could be further strengthened.

- 20 A summary of management's response to the findings of the report is provided in annex A.

Follow up of agreed actions



- 21 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.
- 22 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
Contract management: City Development & Neighbourhoods	In draft
Direct payments and short breaks (adults and children)	In draft
Event management	In draft
Democratic governance and decision making	In draft
Climate Ready Leicester Plan	In progress
Housing rents	In progress
ICT supplier management	In progress
Grant-funded schemes: compliance	In progress
Recruitment, selection, and onboarding	In progress
Planning performance	In progress
School themed audit: capital programme	In progress
Home to school transport	In progress
Payroll	In progress
Right to Buy	Planning
Organisational development / workforce planning	Not yet started
Commissioning: adult social care	Not yet started
Debt management: adult social care	Not yet started

Direct payments: short breaks	Not yet started
Housing allocations	Not yet started
Building control	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
ICT network security	January 2026	Substantial Assurance	0	0	5	0
Contract management: adult social care	January 2026	Substantial Assurance	0	0	2	1
Physical information security	January 2026	Limited Assurance	0	2	2	0
School themed audit: purchasing and best value	January 2026	Reasonable Assurance	0	0	6	0
Contract Procedure Rules: waivers	January 2026	Reasonable Assurance	0	3	2	0

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

Audit

Physical information security		
Finding priority & title	Finding summary	Agreed action(s) and timescale(s)
Significant		
Unlocked storage	During the physical information security sweep of City Hall (undertaken after working hours), numerous unlocked drawers, cupboards, and filing cabinets were encountered across office spaces. Some storage contained personal and / or commercially sensitive information.	A clear desk policy will be implemented, supported by guidance. Key safes will be provided for services throughout the building. <i>30 April 2026</i>
Significant		
Workspaces left unclear	Throughout the building, desks had not been cleared when not in use, with documents, notebooks, and folders being left unsecured. In some instances, these included personal and / or commercially sensitive information.	A clear desk policy will be implemented, supported by guidance. Key safes will be provided for services throughout the building. <i>30 April 2026</i>
Contract Procedure Rules: waivers		
Finding priority & title	Finding summary	Management response
Significant		
FEW1392: Aylestone Road Transforming Cities Fund Scheme	Expenditure was committed to a value above the total contract cost without varying the contract in accordance with the CPRs. As a result, the council breached rules 41.2, 41.3, and 41.5 of its CPRs. These rules cover transparency, openness, and value for money, and the timing and level of approval required for variations.	Management has added additional controls to ensure spend cannot happen without the appropriate procurement process being followed. In addition, training has been provided, and will continue to be provided, in relation to procurement.
Significant		
FEW1452: Provision of welfare advice services	The contract value over the full term had not been estimated in accordance with the CPRs. Arrangements were not made in time to extend the contract beyond its initial term, with the required variation then significantly delayed. As a result, the council breached rules 14.1 and 40.1. These rules set	

	expectations for calculating contract value and approving variations.	
Significant FEW1403: Community Self-Harm Intervention Services	Extension provisions within the contract were not approved before the end of the initial term. By failing to obtain the necessary approvals to extend what is a 'large' contract (under the definition of the CPRs) prior to the end of the initial term, rule 40.1 was breached.	

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 agreed actions
- ▲ Grant certification work:
 - ▲ ESFA Multiply Funding
 - ▲ DBT Core Growth Hub
 - ▲ DESNZ HUG2
 - ▲ Homes England compliance audit
- ▲ Consultative engagements:
 - ▲ Use of Government Procurement Cards (children's services)
 - ▲ Concerto (LeSTAR) financial controls and interface review
 - ▲ Unit4 reimplementation project support (ongoing)
 - ▲ Leaseholder statement of accounts

ANNEX B: CURRENT AUDIT PRIORITIES

Audit / Engagement	Rationale
Strategic / corporate & cross cutting	
Do now	
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)
Organisational development/workforce planning	Provides coverage of key assurance area.
Do later	
Contract management: corporate	
Contract management: public health	
Procurement Act compliance	
Business continuity management	
Savings delivery	
Access to information and records management	
Ward community funding	
Financial systems	

Do now	
Housing rents	No recent coverage. Provides coverage of a key assurance area.
Payroll	No recent coverage. Provides coverage of a key assurance area.
Service areas	
Do now	
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).
Commissioning: adult social care	Risks / controls are changing. Links to strategic risk (SRR 3.2)
Debt management: adult social care	
Direct payments: short breaks	
Housing allocations	
Building control	
Do later	
Children's homes and commissioning	
Adult safeguarding	

- Domiciliary Care Service (reablement)
- Post-19 planning
- Adult Social Care Cost Mitigation Programme
- Acquisitions (homelessness)
- Community/third sector property income management
- Building control
- Gladstone membership management system
- Community safety

Technical / projects

Do now

ICT supplier management Key area for maintenance of the council's security posture.

Do later

- ICT user access control
- ICT cybersecurity (user awareness and training)
- ICT server administration and security
- ICT cybersecurity (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.

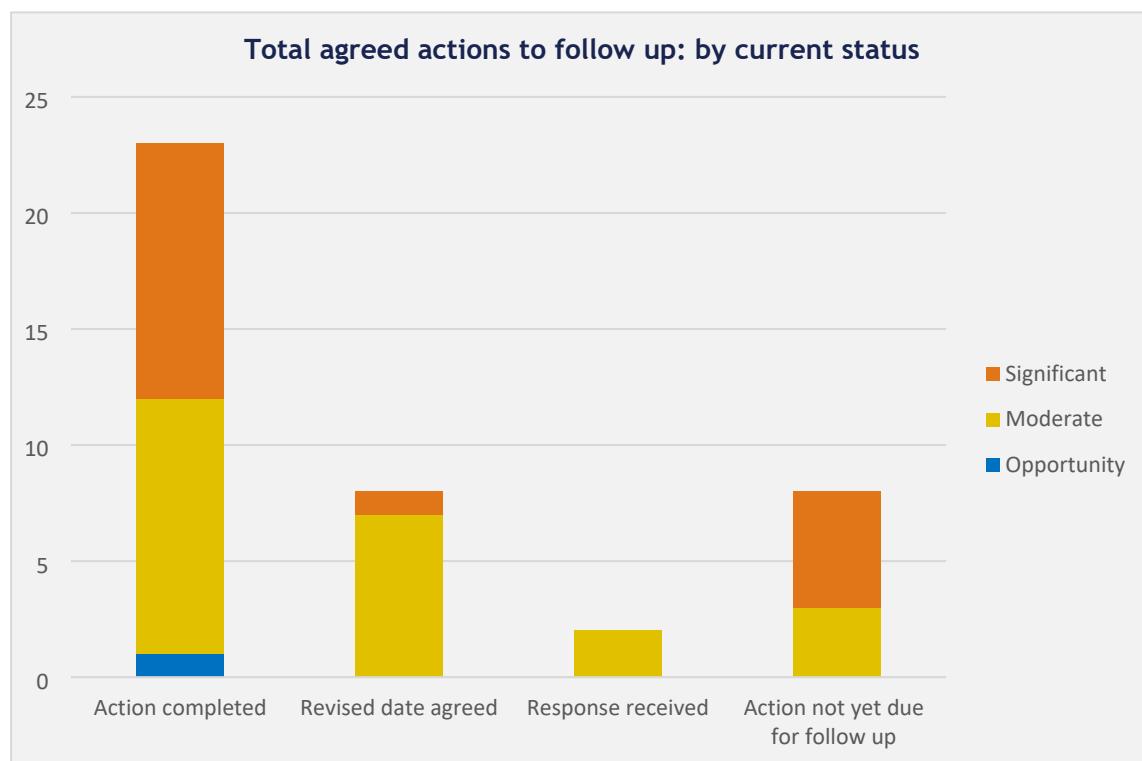
Finding ratings

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 – 31 December 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

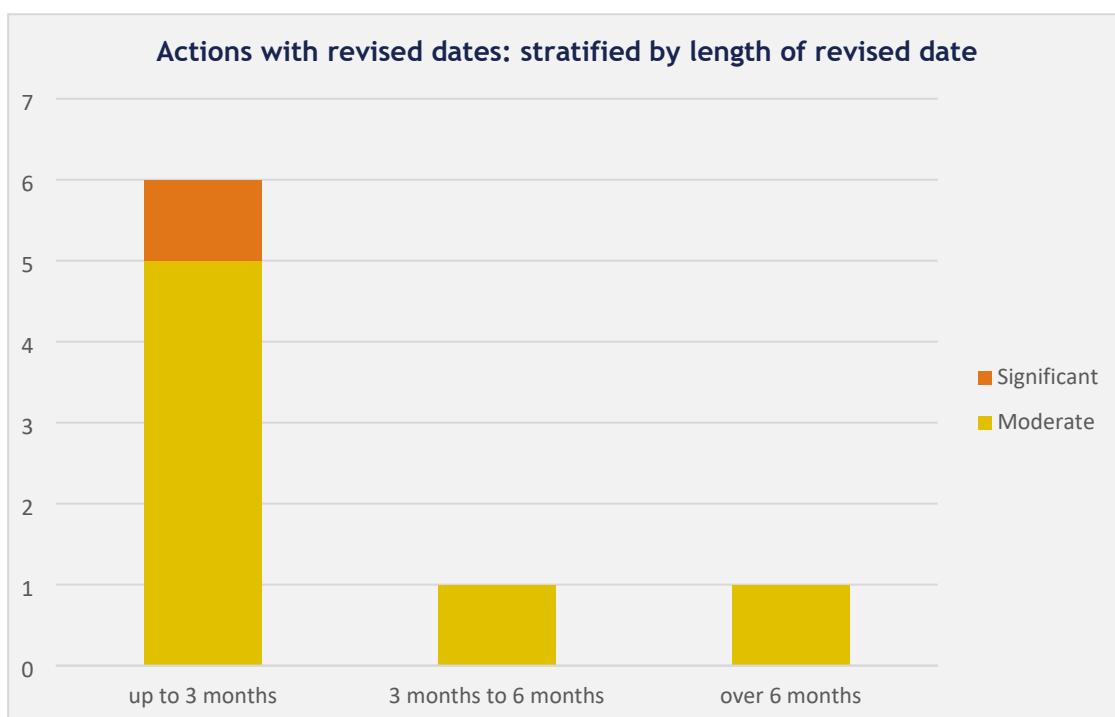


- 6 A total of 33 actions have been followed up so far this year. Of these, 23 have been satisfactorily implemented. Eight actions are not yet due for follow-up as their original implementation date has not passed at the time of reporting. There are also two actions where we have received a response

but have not yet been able to conclude whether the risk has been satisfactorily addressed¹.

- 7 Eight actions have had their original implementation timescale extended, with a revised implementation date being agreed with the action owners.
- 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 Figure 2, below, shows how long dates have been revised from the original implementation date.

Figure 2: Length of revised dates agreed for action implementation



- 10 At the time of reporting, no actions are overdue.

¹There will usually be some instances like this at any point in time. It can be due to ongoing communication with the responsible officers to obtain evidence confirming completion of the action. It can also be due to instances where the action taken is not exactly as agreed and further work is being undertaken to assess whether the action taken does satisfactorily address the risk or because there are ongoing discussions about whether to agree revised dates for the action.