Leicester City Council

Internal Audit Work Programme 2026/27

Veritau

Assurance for the public sector

CONTENTS

Introduction

1   This report sets out the proposed 2026/27 programme of internal audit work for Leicester City Council.

2   The work of internal audit is governed by the Global Internal Audit Standards in the UK Public Sector (GIAS UK Public Sector). These standards are made up of:

  ▲ the Global Internal Audit Standards (GIAS), set by our professional body, The Institute of Internal Auditors, and

  ▲ the Application Note: Global Internal Audit Standards in the UK Public Sector, produced by the Relevant Internal Audit Standard Setters[1].

3   At the local level, the council has an internal audit charter. The charter addresses how internal audit is performed and governed, and its commitment to adhering to professional standards.

4   To conform to professional standards and the charter, the Head of Internal Audit must develop a plan based on a documented assessment of the council's strategies, objectives, and risks and on their understanding of governance, risk management, and internal control arrangements. The plan should also be informed by input from key stakeholders, such as senior management and this committee.

5   Internal audit work should be risk-based and dynamic, being undertaken in a way that supports achievement of organisational objectives. Accordingly, planned work should be reviewed and adjusted in response to changes to risks, priorities, operations, programmes, systems, and internal controls.

6   The GIAS UK Public Sector place a specific requirement on the Head of Internal Audit to prepare an overall conclusion (opinion), at the level of the organisation, about the effectiveness of governance, risk management, and internal control. This must be done at least annually in support of wider governance reporting.

7   The basis of the Head of Internal Audit's annual opinion is the outcomes from planned audit work undertaken over the year (referred to as the 'work programme'). Our work programmes include coverage of governance, risk management, and internal control which, in turn, allows an opinion to be given.

8   At the 26 January 2026 meeting of this committee, we presented our work programme consultation report. This report explained how we approach development of the work programme by considering key areas

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[1] The Relevant Internal Audit Standard Setter for UK local government is CIPFA.

of assurance, the council's risks, and its priorities to define a body of work from which an independent and well-informed opinion can be given.

9   Although internal audit has a role to play in supporting achievement of the council's objectives, 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.

Strategic context

10   Leicester City Council continues to face challenges to its medium-term financial outlook. However, the three-year settlement approved by the government in February has begun to address historic under-funding of relatively deprived areas of the country. The settlement will not allow the council to reverse the impact of more than a decade of austerity but it has relieved some of the pressure the council has been facing. In addition, the government separately announced financial support to authorities with Dedicated Schools Grants deficits. The funding will cover 90% of the deficits the council has accrued to date[2].

11   The council's previous strategies had required significant use of reserves to balance the budget. The current strategy provides an opportunity for the council to stabilise its financial position and reduce the budget gap.

12   The settlement means that, in 2026/27, the council will be able to part-fund capital expenditure from its reserves and so reduce (but not eliminate the need for) borrowing, to provide investment in a limited range of priority areas, and to amend savings targets over the life of the three-year budget strategy.

13   Although the council's financial situation has improved, efforts will need to continue to ensure that key aspects of risk management, governance, and control are maintained. 2026/27 will also give rise to other priorities and challenges in meeting the council's strategic objectives.

14   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 now perennial issues impacting local authorities.

15   The council has already begun transformative change in adult social care, and work will continue into 2026/27. This work will need to take place alongside wider improvement efforts following Ofsted's 2025 inspection and 'requires improvement' judgement.

16   Children's services budgets are also stretched, with budget growth required in 2026/27 to cover the increasing cost of providing social care

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[2] General Fund Revenue Budget 2026/27 (Council, 25 February 2026)

services, particularly to those with specific and complex needs. The council is taking various measures to offset these increases with improvements to the in-house offer, quality control arrangements, and brokerage and commissioning processes.

17 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. The council will be responding to this crisis in 2026/27 by allocating £50m to the acquisition of additional properties for use as temporary accommodation.

18 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.

19 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.

2026/27 internal audit work programme
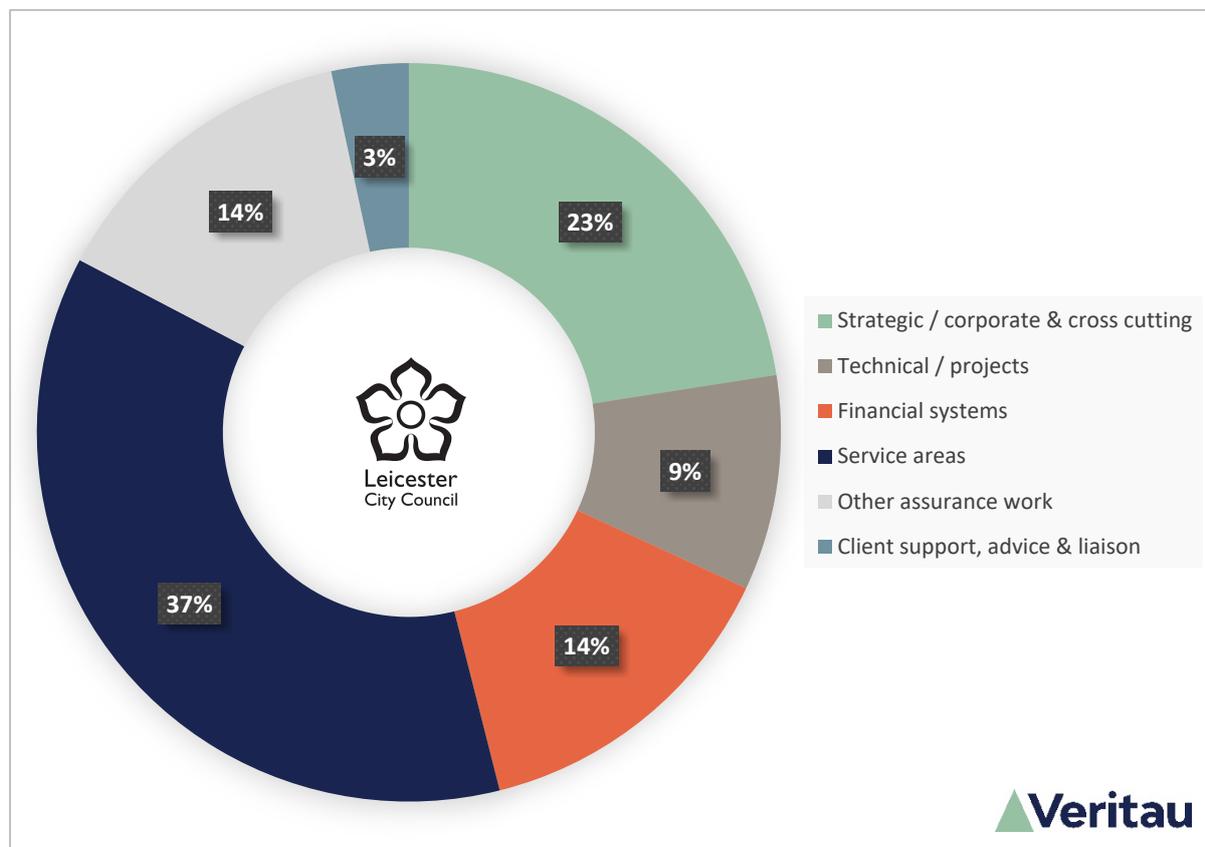
The 2026/27 indicative internal audit work programme

20 The proposed internal audit work programme for 2026/27 is included in annex A. The programme is made up of audit engagements which have been assessed as priorities to deliver over the next 12 months.

21 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 2026/27.

22 The proposed areas of coverage in the 2026/27 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.

23 Internal audit activity is organised into several functional programme areas. These areas are set out in table 1, on the following page.

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.	

24   Figure 1, on the following page, shows the proportion of time we expect to spend delivering work across each functional area during the year.

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Figure 1: 2026/27 work programme – indicative functional area split.

The donut chart shows:
- 23% Strategic / corporate & cross cutting
- 9% Technical / projects
- 14% Financial systems
- 37% Service areas
- 14% Other assurance work
- 3% Client support, advice & liaison

Legend:
- Strategic / corporate & cross cutting
- Technical / projects
- Financial systems
- Service areas
- Other assurance work
- Client support, advice & liaison

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

25   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.

26   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.

DO NOW	DO NEXT	DO LATER
work of the highest value, priority, or urgency	work to be started after current audit work is completed	work to be scheduled for consideration later in the year

27   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, on the following page. 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

28   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.

29   For example, an audit scheduled for quarter three 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 three. 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.

30   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.

31   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.

32   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 2026/27

Programme area	Internal audit activity
Strategic / corporate & cross cutting	▲ Savings delivery ▲ Polygamous working ▲ Hybrid working ▲ Information Access Requests (children's services) ▲ Data security incident management ▲ Physical information security ▲ Procurement pipeline and forward planning ▲ Procurement Act compliance ▲ Community Languages ▲ Complaint handling ▲ Public health (partnership working) ▲ Mental health (strategic planning) ▲ Healthy Child Programme
Technical / projects	▲ ICT: access controls ▲ ICT: Artificial Intelligence ▲ ICT: server administration and security ▲ ICT: cybersecurity – user awareness and training ▲ Crisis Resilience Fund (support and advice) ▲ Pride in Place (support and advice) ▲ Connect to Work (support and advice)
Financial systems	▲ Main accounting system

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Programme area	Internal audit activity
	▲ Unit 4 reimplementation (support and advice)
	▲ VAT accounting
	▲ Treasury management
	▲ Fundamental financial controls
	▲ Accounts preparation and closedown
	▲ Leaseholder statement of accounts
	▲ Council Tax and NNDR
	▲ Housing benefits
Service areas	▲ Section 17 payments
	▲ Children's residential homes: finance and resource management
	▲ Children leaving care
	▲ SEND commissioning
	▲ Unaccompanied asylum seeker children
	▲ Short breaks
	▲ School themed audit 1 (focus to be confirmed)
	▲ School themed audit 2 (focus to be confirmed)
	▲ Private Finance Initiatives: schools
	▲ Adult Social Care Cost Mitigation Programme
	▲ Direct payments (adult social care)
	▲ Safeguarding (adult social care)
	▲ Payments to care providers (adult social care)
	▲ Funded nursing payments
	▲ Ward community funding

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Programme area	Internal audit activity
	▲ Building control ▲ Section 106 agreements ▲ Acquisitions (homelessness) ▲ Landlord regulatory powers ▲ Awaab's Law compliance ▲ Housing repairs ▲ Waste services (contract management)
Other assurance work	▲ 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	▲ Committee preparation and attendance ▲ Key stakeholder liaison ▲ Support and advice on control, governance, and risk related issues

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