



**Audit and Standards Advisory  
Committee**

7<sup>th</sup> December 2022

**Report from the Corporate Director  
Finance and Resources**

**Internal Audit Interim Report 2022-23**

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	Three: Appendix 1 – Status and Delivery of 2022/23 Plan Appendix 2 – Summary of Audit Findings Appendix 3 – Summary of Follow Up Activity
<b>Background Papers:</b>	None
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**1. Purpose of Report**

- 1.1 This report outlines the work undertaken by Internal Audit in respect of delivery of the 2022-23 Internal Audit Plan.
- 1.2 The report is intended to support the Audit and Standards Advisory Committee in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by summarising delivery of the 2022-23 Internal Audit plan to date, updating on the performance of the function, highlighting areas where high priority recommendations have been made and commenting on the level of implementation of audit recommendations by management.

**2. Recommendation**

- 2.1. The Committee is asked to note the contents of the report.

### **3. Background**

- 3.1 The Council's Internal Audit function is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS). The PSIAS set out the requirements for public sector internal auditing and encompasses the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework. The delivery of the service is also underpinned by the Internal Audit Charter, which defines the purpose, authority, responsibility and position of Internal Audit within Brent Council.
- 3.2 A professional, independent and objective internal audit function is a key element of good governance. The PSIAS defines internal auditing as '*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*'.
- 3.3 The Internal Audit function operates a co-sourced service delivery model, where internal audit services are provided by in-house staff, with a small portion of work delivered by a co-sourced provider, PwC.

### **4. Delivery of the 2022-23 Plan**

- 4.1 The service complies with the requirements of the Public Sector Internal Audit Standards by ensuring that an annual and risk-based audit plan is delivered. The 2022-23 Internal Audit Plan was agreed by the Audit and Standards Advisory Committee in March 2022, and was developed to provide assurance against key risk areas that may threaten the achievement of the Council's corporate objectives and priorities.
- 4.2 The plan was drafted from a number of sources including the Council's latest strategic risk register, an Internal Audit risk assessment, audit plans of other local authorities, intelligence from previous audits, and CIPFA good governance guidelines. The plan also seeks to provide rolling assurance over the Council's key systems and processes, including key financial systems, and areas where senior management has requested independent assurance.
- 4.3 While Internal Audit delivers a risk based annual audit plan, the service remains available to provide ad hoc consultancy and advice work in addition to the agreed plan. This approach allows Internal Audit to flex its resources and to proactively support control enhancements across a number of areas.
- 4.4 A summary of the performance against the 2022-23 Internal Audit Plan is shown in the table below.

<b>Summary of Internal Audit Activity</b> (as at 25 <sup>th</sup> November 2022)	<b>Number</b>
<i>Audits carried forward from 2021-22</i>	13
<i>Audits per the 2022-23 Plan</i>	28
<i>Additional reviews requested</i>	6
<b>Total audits planned for 2022-23</b>	<b>47</b>
- Audits not yet commenced	15
- Audits in progress	15
- Audits at draft report stage	4
- Audits completed (final report issued)	13
<b>Follow-up reviews completed</b>	<b>9</b>

4.5 A detailed summary of the status and number and level of risk issues raised against each audit included within the 2022-23 plan can be seen at **Appendix 1**.

4.6 For audits completed in Q1/2 2022-23, a summary of issues relating to audits completed since the last update in July 2022 can be seen at **Appendix 2**.

#### Risk ratings

4.7 For each review undertaken, where gaps or weaknesses in the design and operation of controls are highlighted, or where areas for the further improvement/enhancement of controls are identified, recommendations are raised and agreed with management.

4.8 Findings and issues raised by Internal Audit (and therefore the resulting recommendations) are graded in terms of the associated level of risk. An indication of the level of assurance and confidence provided from an audit review is therefore gained by examining the number and level of issues identified.

4.9 The following definitions are used to inform these ratings:

<b>Critical</b>	A finding that could have a: critical impact on operational performance; critical monetary or financial statement impact; critical breach in laws and regulations that could result in material fines or consequences; and/or a critical impact on the reputation or brand of the organisation which could threaten its future viability.
<b>High</b>	A finding that could have a: significant impact on operational performance; significant monetary or financial statement impact; significant breach in laws and regulations resulting in significant fines and consequences; and/or a significant impact on the reputation or brand of the organisation.
<b>Medium</b>	A finding that could have a: moderate impact on operational performance; moderate monetary or financial statement impact; moderate breach in laws and regulations resulting in fines and consequences; and/or a moderate impact on the reputation or brand of the organisation.
<b>Low</b>	A finding that could have a: minor impact on the organisation's operational performance; Minor monetary or financial statement impact; minor breach

in laws and regulations with limited consequences; and/or a minor impact on the reputation of the organisation.

4.10 The below table summarises the number of issues raised in-year in respect of the delivery of the 2022-23 plan to date:

	Number	%
<b>Total number of issues raised in 2022-23 to date:</b>	<b>39</b>	
<b>Critical risk</b>	0	0%
<b>High risk</b>	7	18%
<b>Medium risk</b>	20	51%
<b>Low risk</b>	12	31%

4.11 A detailed summary of the number and level of risk issues raised against each audit included within the 2022-23 plan can be seen at **Appendix 1**.

#### Additional Reviews

4.12 Internal Audit continued to carry out consultancy and advice work during the year, where required and/or requested. To date, six additional pieces of work have been undertaken:

- Housing voids management;
- Building Control Finance;
- Annual certificate of expenditure – Brent River College; and
- Funeral Services payment arrangements;
- You Decide / Participatory Budgeting;
- Income Management Strategy.

4.13 Internal Audit have continued to complete the periodic reviews of payment claims for the Supporting Families Programme and carried out grant determinations.

#### School Reviews

4.14 A programme of school audits is undertaken to provide assurance over the key governance arrangements and financial management controls in place within individual schools. Seven school audit reviews are scheduled to be carried-out as part of the 2022-23 plan, in addition to a follow-up review relating to an audit completed in 2021-22. To date:

- *Four* school audits have been completed;
- *Three* school audits are scheduled to be undertaken in Q4;
- *One* follow-up review is scheduled to be undertaken in Q4.

## 5. Follow-up Activity

- 5.1 Internal Audit recommendations emanating from all planned audit work is subject to follow-up to ensure that agreed actions have been implemented.
- 5.2 So far during 2022-23, 9 follow-up reviews have been completed relating to audit work completed in 2021-22. The result of which is summarised in the below table:

Action Status	High	Medium	Low
<b>Total Actions</b>	<b>10</b>	<b>52</b>	<b>16</b>
Implemented	6 (60%)	38 (73%)	6 (38%)
Partially Implemented	4 (40%)	10 (19%)	9 (56%)
Not Implemented	0	0	1 (6%)
No longer relevant or superseded	0	4 (8%)	0

- 5.3 Details of follow-up activity relating to 2022-23 can be seen at **Appendix 3**.
- 5.4 Where actions were found to remain partially or not implemented, Internal Audit have agreed revised implementation dates.

## 6. Internal Audit Performance

- 6.1 One of the core principles of the PSIAS is quality assurance and continuous improvement. To this end, the PSIAS require the HIA to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of internal audit activity.
- 6.2 Internal Audit has developed a QAIP that is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:
- performs its work in accordance with the PSIAS (including the Definition of Internal Auditing and Code of Ethics) and the CIPFA Statement on the role of the Head of Internal Audit;
  - operates in an effective and efficient manner;
  - is perceived by stakeholders as adding value and continually improving its operations; and
  - undertakes both periodic and on-going internal assessments, and commissions an external assessment at least once every five years.

### Internal Assessments

- 6.3 In accordance with the PSIAS, internal quality and performance assessments are undertaken through both on-going and periodic reviews. On-going assessments are conducted as a matter of course, in-line with the service's protocols and audit methodology. These assessments include: management supervision of audit activity, the application of a consistent audit methodology across audits, regular 1:2:1s between audit management and auditors to review and monitor performance, and the review and approval of all outputs by the Audit Manager and HIA.
- 6.4 Regular periodic assessments are also undertaken during the year to monitor and measure the impact of, and value added by the delivery of the annual audit plan. A key aspect of these assessments comprises of the quarterly progress reports presented to the Audit and Standards Advisory Committee, which summarise progress against the annual plan and key outcomes of audit activity. Furthermore, an annual assessment is undertaken in drafting the annual audit plan, which is aligned to the Council's Strategic Risk Register to ensure that the work of internal audit centres around the key risks that threaten the achievement of corporate objectives.
- 6.5 Other periodic assessments include (but are not limited to):
- annual self-assessments to ensure conformance with the PSIAS;
  - regular feedback from senior management and Council Management Team
  - benchmarking with other London Borough internal audit services, via the Cross Council Assurance Service and London Audit Group.

### External Assessments

- 6.6 The PSIAS require that an External Quality Assessment (EQA) of Internal Audit is undertaken at least every five years. As reported in our previous update, review of Brent's internal audit function is being led by Caroline Glitre, the Head of Internal Audit for the London Borough of Barnet, and is due to begin during November 2022.
- 6.7 On conclusion of the assessment, the assessor will present the outcomes to the Audit and Standards Advisory Committee (anticipated to be the February 2023 meeting).

### Key Performance Indicators

- 6.8 To complement and inform the ongoing and periodic assessments detailed above, Key Performance Indicators (KPIs) have been defined to measure the performance of the internal audit service. Achievement scores against each of

these KPIs will be reported as part of the 2022-23 annual report. An interim update has been provided below:

KPI	Status
<b>KPI1 - 90%</b> of the Annual Internal Audit Plan completed by 31 March (conclusion of fieldwork)	<i>Internal Audit carried a vacancy for part of Q2, which has had some impact on the delivery of the plan. However, it is anticipated that the KPI is on track to be achieved.</i>
<b>KPI2 - 100%</b> of the Annual Internal Audit Plan completed by 30 April (conclusion of fieldwork)	<i>Internal Audit carried a vacancy for part of Q2, which has had some impact on the delivery of the plan. However, it is anticipated that the KPI is on track to be achieved.</i>
<b>KPI3 - 100%</b> acceptance of all Critical and High risk recommendations	<b>100%</b> acceptance of all High risk recommendations (no Critical recommendations).
<b>KPI4</b> – Follow-up of all Critical and High risk recommendations within (at least) 12 months of the final report being issued.	<b>100%</b> followed up within 12 months.
<b>KPI5 - 90%</b> of client satisfaction surveys rated the service as good or better.	No forms returned to date.

## 7. Financial Implications

The report is for noting and so there are no direct financial implications.

## 8. Legal Implications

All Local Authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and Accounts and Audit Regulations 2011 (as amended). The Public Sector Internal Audit Standards 2017, also require proper planning of audit work.

## 9. Equality Implications

None.

## 10. Consultation with Ward Members and Stakeholders

None.

**Report sign off:**

**Minesh Patel, Corporate Director Finance and Resources**