

	<p style="text-align: center;"><b>Audit and Standards Advisory Committee</b> 28 March 2024</p>
	<p style="text-align: center;"><b>Report from the Corporate Director of Finance and Resources</b></p>
	<p style="text-align: center;"><b>Lead Member - Deputy Leader and Cabinet Member for Finance, Resources &amp; Reform</b></p>
<p style="text-align: center;"><b>Internal Audit Strategy 2024-2027 and Internal Audit Plan 2024-25</b></p>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not Applicable
<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>List of Appendices:</b>	Two: Appendix 1 – Internal Audit Strategy 2024-2027 Appendix 2 – Internal Audit Plan 2024-25
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Darren Armstrong, Head of Audit and Investigations 020 8937 1751 <a href="mailto:Darren.Armstrong@Brent.gov.uk">Darren.Armstrong@Brent.gov.uk</a>

## 1.0 Executive Summary

- 1.1 This report sets out the Internal Audit Strategy for the period 2024-2027, and the Internal Audit Plan for 2024-2025.
- 1.2 The Internal Audit Strategy is a newly developed document that outlines the ways in which we will continue to enhance the effectiveness and delivery of the Council's Internal Audit function over the next three-year period. It sets out a number of objectives, priorities and initiatives to ensure that the work carried out by Internal Audit is in alignment with the Council's strategic objectives and assurance needs. The strategy also introduces a new approach to audit planning and delivery.
- 1.3 In-line with usual practice, we have also prepared an Internal Audit Plan for the financial year 2024-2025. As a direct response to the new Internal Audit

Strategy, and the pending Global Internal Audit Standards (due to come into force from January 2025) which introduces new requirements for audit planning, we have adopted a revised methodology that moves away from the traditional 'annual plan' approach.

## **2.0 Recommendations**

2.1 The Committee is asked to:

- (a) consider and note the Internal Audit Strategy for 2024-2027;
- (b) review and agree the draft Internal Audit Plan for 2024-2025

## **3.0 Detail**

### **3.1 Contribution to Borough Plan Priorities & Strategic Context**

3.1.1 The role of the Internal Audit function is to contribute to the overall success of the Council by bringing a systemic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and control processes throughout the Council. This is primarily achieved through providing independent, risk-based and objective assurance and advisory services. The assurance suite of work involves assessing how well the systems and processes are designed and operating in order to effectively mitigate risk, while advisory activities aid with the improvement in systems and processes where necessary.

3.1.2 The function also plays a key role in enhancing the Council's ability to serve its residents and the public interest by providing assurance on matters such as operational efficiency, reliability of reporting, compliance with laws and regulations, safeguarding of assets, and ethical culture.

3.1.3 The response of the Council to the activity of Internal Audit should lead to the strengthening of governance arrangements and the control environment, and therefore, contribute to the achievement of strategic objectives.

### **3.2 Background**

3.2.1 The Council has a statutory duty to maintain an adequate and effective internal audit function. In exercising its duties, the Internal Audit function should seek to:

- 1) provide assurance to the Chief Executive, S151 Officer, senior management, the Audit and Standards Advisory Committee and other key stakeholders that the Council has effective arrangements in place to deliver its strategic objectives and manage key risks;
- 2) meet the statutory responsibility to arrange for the continuous, independent internal audit of the Council;

- 3) meet the requirements of professional internal audit standards in order that the Head of Internal Audit is able to deliver an annual opinion on the Council's arrangements for governance, risk management and control; and
- 4) maximise the use and deployment of resources.

### **3.3 Internal Audit Strategy**

- 3.3.1 Under the new Global Internal Audit Standards, which will officially come into force in January 2025, the Chief Audit Executive (Head of Internal Audit) must develop and implement a strategy for the Internal Audit function that supports the strategic objectives and success of the organisation and aligns with the expectations of the board, senior management and other key stakeholders. To this end, the Internal Audit Strategy at **Appendix 1** sets out the strategic vision and objectives for the Internal Audit function for the three-year period 2024-2027.
- 3.3.2 In view of the growing challenges and risks faced by the Council, and increasing demand and stakeholder expectations, it is more important than ever that we deliver an Internal Audit service that is agile, responsive and closely aligned with the strategic objectives, risks and needs of the Council. Above all else, Internal Audit must also provide a programme of robust assurance in the areas where it is needed most. In developing this strategy, we have therefore taken the opportunity to re-consider and evaluate how we deliver assurance and advisory services to the Council and have identified four strategic objectives that will guide and shape our work across the next three years.
- 3.3.3 In determining the strategy, we have sought to ensure that we strike the right balance between being responsive to the changing risks, priorities and needs of the Council, whilst avoiding an over-emphasis on shorter-term issues to the detriment of providing a balanced programme of assurance.

### **3.4 Internal Audit Plan**

- 3.4.1 The Head of Internal Audit is also responsible for creating an Internal Audit Plan that supports the achievement of the Council's objectives. This must be based on a documented assessment of the Council's strategies, objectives and risks, and informed by input from CMT and senior management, as well as the Internal Audit function's understanding of the Council's governance, risk management and control processes.
- 3.4.2 The new Global Internal Audit Standards suggest that if the organisation's environment is dynamic, the internal audit plan may need to be updated as frequently as every six months, quarterly or even monthly. In view of this new requirement, and in-line with the objectives set-out within our strategy, we have adopted a new approach and method to audit planning that moves away from the traditional 'annual plan' approach. Our Internal Audit plan for 2024-2025 will therefore be less rigid and more flexible and agile than previously, whilst

appreciating there remains a need to provide assurance over core/key systems and processes.

- 3.4.3 The plan, as seen at **Appendix 2**, sets out how Internal Audit resources will be utilised and deployed in 2024-2025, and is underpinned by the Internal Audit Charter, which defines the purpose, role, mission, responsibility and position of the Internal Audit function at Brent Council.

#### Information Sources

- 3.4.5 In drafting the plan, we have utilised a number of information sources including an internal audit risk assurance, assurance mapping against the strategic risk report, and consultation with senior management via Departmental Management Team meetings.
- 3.4.6 Audits identified that have been identified during the planning process will focus on areas with a high assurance requirement, and as such, the Internal Audit Plan does not purport to address all risks facing the Council. The level of internal audit activity therefore represents a deployment of limited audit resource and in approving the Plan, the Council Management Team and Audit and Standards Advisory Committee recognises this limitation.

#### Delivery and Resourcing

- 3.4.7 The Head of Internal Audit is responsible for identifying the resources necessary to deliver the plan and to fulfil the Council's requirements and expectations as to the robustness and scope of the annual Internal Audit opinion. To this end, the plan for 2024-2025 will deliver c700 days and the Head of Internal Audit is satisfied that adequate resources are available for the provision of an effective internal audit function. The service continues to operate a co-sourced model, with a portion of the plan (c200 days) delivered by our co-sourced partner, PwC.

#### Progress and Reporting

- 3.4.8 Progress reports and outcomes of internal audit work will continue to be reported to CMT and the Audit and Standards Advisory Committee in accordance with existing reporting arrangements. In addition, any revisions to the plan as proposed at *Appendix 2* will be reported in-year as appropriate. As a minimum, an updated plan will be presented in September (mid-year point) and January/February (in preparation for year-end).

### **3.5 Assurance Ratings**

- 3.5.1 The Internal Audit function does not currently provide an assurance rating/opinion on conclusion of each individual audit engagement. To date, this has been in-line with the Public Sector Internal Audit Standards, which have not mandated this as a requirement. This was supported and corroborated during an External Quality Assessment undertaken in February 2023, with the examiner confirming conformance to the standards.

3.5.2 The new Global Internal Audit Standards will change this stance as they prescribe increased requirements relating to assurance conclusions, including *“assurance engagement conclusions must include the internal auditors’ judgement regarding the effectiveness of the governance, risk management, and/or control processes of the activity under review”*.

3.5.3 Furthermore, the standards also state that *‘the chief audit executive’s methodologies for the internal audit function may provide a rating scale indicating whether reasonable assurance exists regarding the effectiveness of controls*.

3.5.4 As a result, the Internal Audit function will re-introduce assurance ratings for all assurance-related engagements relating to the 2024-2025 plan.

#### **4.0 Stakeholder and ward member consultation and engagement**

4.1 None

#### **5.0 Financial Considerations**

5.1 The Internal Audit Strategy 2024-2027 and plan for 2024-2025 will be delivered in accordance with the approved budget.

#### **6.0 Legal Considerations**

6.1 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.

#### **7.0 Equity, Diversity & Inclusion (EDI) Considerations**

7.1 None

#### **8.0 Climate Change and Environmental Considerations**

8.1 None

#### **9.0 Communication Considerations**

10.1 None

**Report sign off:**

***Minesh Patel***

Corporate Director of Finance and Resources