



Internal Audit Strategy

2024-2027

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A. Executive Summary

This Internal Audit Strategy outlines the framework for enhancing the effectiveness and delivery of the Council's Internal Audit function for the period 2024-2027. Due to the environment in which the Council is currently operating in with high levels of uncertainty, an increasing number of emerging risks, and significant financial challenges, it is more important than ever that the work of Internal Audit is agile, responsive, and closely aligned with strategic objectives and needs of the Council.

Our **vision** is to therefore become an established trusted advisor and strategic partner to senior management, providing independent and objective assurance, insight and challenge that contributes to informed decision-making, improved governance, and enhanced organisational performance.

To achieve this vision, we have identified the following **four strategic objectives**. These objectives will be supported by a number of key initiatives and priorities, as set out within the sections that follow. Through delivering on this strategy, we will help to enhance the Council's governance, risk management and control framework, which will ultimately contribute to the achievement of the Council's corporate priorities and objectives.

1. To adopt a more agile and enhanced risk-based approach to planning and delivery.

We will implement and embed an enhanced risk-based approach to audit planning and delivery that identifies and prioritises key risks that the Council faces and ensures audit resources are allocated efficiently and effectively to areas with the highest assurance need. To aid this approach, we will also make better use of data, information and technology to drive and inform the work of internal audit.

2. To provide an ongoing and robust programme of core assurance.

In developing an enhanced risk-based approach, we are also conscious of striking the right balance between being responsive to the changing needs and risks of the Council, whilst also continuing to provide a continuous cycle of assurance over the Council's core systems and processes. We will therefore develop a comprehensive programme of assurance over core and key areas to provide a balanced perspective and to prevent our work from being solely focussed on short-term issues. This will involve conducting regular audits of critical process, systems and controls on a cyclical basis.

3. To offer and provide high-quality insight, foresight and advice.

We will seek to maximise our value-added by undertaking work beyond traditional assurance activities, such as advisory reviews, control/process optimisation exercises, identifying and reporting on emerging trends, risks and issues, and aiding the Council's change programme through carefully considered risk versus control advice.

4. To lead and coordinate the implementation of an integrated assurance framework.

We will take the lead in developing an integrated assurance framework/model, including the championing, mapping and coordinating of other sources of assurance from across the Council to enable a more joined-up, informative approach to reporting and to ensure any gaps or overlaps are managed.

B. Introduction

The Head of Internal Audit is responsible for leading and managing the Council's Internal Audit function in accordance with the Internal Audit Charter and relevant professional internal audit standards. This responsibility includes developing and implementing a strategy for internal audit that supports the strategic objectives and priorities of the Council and aligns with the expectations of the Council Management Team (CMT), senior management, the Audit and Standards Advisory Committee and other key stakeholders.

Role of Internal Audit

Our principle role 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. We also play 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.

Core Values and Principles

We are committed to providing a **high quality, professional and customer-focussed service** that ensures the function remains a trusted source of assurance, advice, insight and foresight across the Council. The core values and principles shown in the diagram (right) underpin the delivery of all aspects of internal audit work:

Objectives of the Strategy

The Internal Audit Strategic Plan has been prepared to cover the period 1 April 2024 to 31 March 2027 and sets out the operating model for delivering an effective Internal Audit function that:

1. Provides assurance to CMT, 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. Meets the statutory responsibility to arrange for the continuous, independent internal audit of the Council;
3. Meets the requirements of professional internal audit standards for the Head of Internal Audit to deliver an annual opinion on the Council's arrangements for governance, risk management and control; and
4. Maximises the use and deployment of resources.



C. Aligning the Strategy with Council Objectives

A key consideration in developing this strategy was ensuring that the work of Internal Audit remains aligned with the assurance needs of the Council. This consideration is not limited to ensuring a comprehensive understanding of the Council's corporate priorities and objectives, but also extends to an understanding of the Council's operations and performance (financial and operational); the risks and issues it is currently facing; and those it is likely to face in the future. To this end, in preparing this strategy a number of information sources have been utilised as set out in the sections below.

Understanding the Council's Objectives

The Borough Plan 2023-27 sets out the Council's vision and ambitions, including a focus on five strategic priorities:

- Prosperity and Stability in Brent
- A Cleaner, Greener Future
- Thriving Communities
- The Best Start in Life
- A Healthier Brent

In addition, there are a wide number of supporting plans and strategies in place to enable the delivery of the Borough Plan. Those most relevant and pertinent to the work of Internal Audit include (but are not limited to) the *Medium-term Financial Strategy*, the *Digital Strategy*, *Data and Insight Strategy* and the *Risk Management Strategy*. A robust Internal Audit strategy, and therefore the work carried out by Internal Audit, should contribute to the achievement of the Council's strategic priorities and objectives.

It is acknowledged that the Council's priorities and objectives may alter and shift to reflect and respond to emerging risks or issues, and it is therefore important that the Internal Audit function remains in-tune with any change. To this end, we will ensure an ongoing cycle of communication and consultation with Senior Leadership and Management teams, including attendance at Departmental Management Team meetings and participation in Senior Leadership Team events.

Understanding the Risk Environment

A fundamental part of Internal Audit's role is to provide assurance over the Council's risk management framework, and how well the Council is managing risk. In order to understand the Council's assurance needs, it is important that we understand what the key and critical areas of risk that may threaten the achievement of the Council's strategic objectives and ensure that these are prioritised accordingly.

This understanding is primarily achieved and demonstrated through aligning our work to the Council's Strategic Risks, which, at the time of preparing this strategy, were as follows:

- | | |
|---|--|
| A. Cost of Living Crisis | H. Serious child protection incident or wider safeguarding concern |
| B. Increase in Dedicated Schools Grant High Needs Block (HNB) Deficit | I. Recruitment and Retention |
| C. Lack of supply of affordable accommodation | J. Safeguarding Incident - Adults |
| D. Increase in the use of emergency Temporary Accommodation | K. Non-Compliance with Statutory Housing Duties |
| E. Cyber Attacks | L. Financial Resilience and Sustainability |
| F. Climate Emergency (Adapting to climate risks) | M. Contract Management |
| G. Climate Emergency (Reaching carbon neutrality) | |

Strategic Risks as at March 2024

Each of the current strategic risks are a separate and specific issue in their own right; however, most of these are driven by an uncertain economic environment; continued financial challenges; and the need to deliver a challenging savings and change programme – all of which are themes that are likely to continue throughout the duration of this strategy and will therefore remain topical and pertinent to all aspects of our work.

In addition to the strategic risks, the Council also manages a number of *inherent* risks including, business continuity/ emergency planning, information governance, fraud and corruption, health and safety and legislative/regulatory compliance; and a number of risks are also held and managed at a departmental level. To that end, the Council is accountable for delivering a wide-range of services in a fast-paced, complex and changing environment, and there is an element of inherent risk associated in every activity that the Council undertakes. It is therefore not realistic for Internal Audit to have coverage across all risk; however, this does bring a need for us to work more closely with other assurance providers, and to take a leading role in developing a Council-wide assurance framework that shares, maps and reports on assurance in a more joined-up way.

It is also appreciated that the risks faced by the Council will inevitably change and develop over time, with new and emerging areas of risk arising during the delivery of this strategy. We will therefore continue to stay abreast of any changes through regularly re-aligning our programme of work against the strategic risks, inherent risks and key departmental/service level risks accordingly. We will also continue to horizon-scan and consider external factors in identifying new risks, including benchmarking against other local authorities.

Understanding how the Council works

In developing this strategy, we have also utilised our inherent knowledge and understanding of how the Council works and operates, including key governance, risk management and control processes, as shown below:

- | | |
|---|---|
| ✓ The Council's governance framework, structure and policies | ✓ The availability, reliability and integrity of management information |
| ✓ Legislative and regulatory requirements | ✓ Performance management arrangements |
| ✓ Key decision-making processes | ✓ Financial management arrangements |
| ✓ The Council's appetite to risk | ✓ Key controls and processes, including known gaps and deficiencies |
| ✓ The Council's risk maturity and processes for managing risk | ✓ Assurance expectations from senior management and wider stakeholders |

In addition, key themes raised within previous audit work and the annual audit opinion have also been considered, specifically the issues surrounding the effective design and operation of the Council's '2nd line' control monitoring functions.

D. Our Strategic Objectives

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, closely aligned with the strategic objectives, risks and needs of the Council – and above all else – provides a programme of robust assurance in the areas where it is needed most.

To this end, we have identified the following four objectives that will guide and shape the delivery of our work across the next three years. In determining these priorities, 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.

Objective 1: To adopt a more agile and enhanced risk-based approach to planning and delivery.

Rationale:

We have historically prepared an annual risk-based audit plan that set out a list of prescribed audit work across a 12-month period. Whilst these plans were never inflexible, they generally remained unchanged throughout the course of the year and our success and performance was largely judged upon how much of this plan we completed. Due to the environment in which the Council is now operating in, this approach no longer feels fit for purpose and we must therefore change and adapt accordingly.

To this end, we will implement and embed an enhanced risk-based approach to audit planning and delivery that identifies and prioritises the key risks that the Council is facing and ensures audit resources are allocated efficiently and effectively to areas with the greatest assurance need. This move is in-keeping with the new Global Internal Audit Standards that will come into force in 2025, which require the Head of Internal Audit to frequently review and update the internal audit plan as necessary.

Clearly, a key part in implementing this new approach will be making the better use of data, information and technology.

What we will do:

- Implement a more agile, fluid and risk-based approach to audit planning and delivery.
- Review, revise and update our programme of work at regular intervals throughout the year to respond to changing risks and priorities.
- Make better use of data, information and technology to develop a rolling risk assessment.

Objective 2: To provide an ongoing and robust programme of core assurance.

Rationale:

In view of the 1st objective above, we are also conscious of striking the correct balance between being responsive to the changing needs and risks of the Council, whilst continuing to provide a robust programme of assurance over the Council's core systems and processes.

We will therefore develop and deliver a comprehensive programme of assurance over the Council's core and key controls that ensures that, irrespective of changing priorities and risks, we continue to deliver timely assurance over the fundamental elements of the Council's governance, risk management and internal control framework.

Whilst this will mean we continue to focus on more 'traditional' audit areas, we feel this is necessary to ensure that the Council continues to 'do the basics right'. This work also remains a crucial source of assurance to the S151 Officer, the Head of Internal Audit's annual opinion, and the Audit and Standards Committee's review and approval of the Annual Governance Statement.

What we will do:

- Identify the core systems and processes that will be scheduled for coverage on a periodic and cyclical basis, rather than a pure risk basis, with all scheduled to be covered at least once during the duration of this strategy.
- Ensure that outcomes, including follow-up outcomes, are reported and communicated to all stakeholders in a clear and joined-up way.

Objective 3: To offer and provide high-quality insight, foresight and advice.

Rationale:

An important part of our role has always been the provision of consultancy and advisory work; however, this has often been seen as a secondary role and an 'add-on' to our traditional assurance related work. It is our view that our consultancy and advisory offer is as equally important as our assurance work, particularly in the unstable and fast-changing environment that we currently operate within – and in our ambition to become an established and trusted advisor. We will therefore seek to maximise our value-added by undertaking additional work beyond traditional assurance activities, such as advisory reviews, control/process optimisation exercises, identifying and reporting on emerging trends, risks and issues, and aiding and supporting the Council's change programme through carefully considered risk versus control evaluations.

In undertaking this advisory and consultancy work, it will also help us to remain at the forefront of the Council's strategic direction and the issues it is facing – which in-turn, will benefit our agile and risk-based planning.

What we will do:

- Be more proactive and engaging to promote our consultancy and advisory services.
- Ensure our involvement in significant and key transformation and key change initiatives.
- Improve reporting of consultancy/advisory work to the Audit and Standards Advisory Committee (in advance where possible).
- Utilise our relationships with other Councils and external partners to provide increased opportunity for benchmarking and cross-council learning.

Objective 4: To lead and coordinate the implementation of an integrated assurance framework.

Rationale:

In view of the increasing number of risks faced by the Council, it is more important than ever that timely, reliable and robust assurance is provided and received over how the Council is performing, delivering on its duties, and fulfilling its commitments made to residents. However, as acknowledged in the sections above, for a number of reasons including resourcing constraints, it is not possible for internal audit to provide assurance across all areas of risk.

Whilst Internal Audit is unique in that it provides independent and objective assurance – it is not the only source of assurance within the Council. There is also a wide range of additional assurance available that is provided as a matter of course across the Council, both operationally but also functionally to senior management, Boards and Committees. We will therefore leverage our unique position within the Council to champion and coordinate the development of a coordinated and integrated assurance framework that makes the link between the Council's objectives, risks and assurance outcomes.

What we will do:

- We will take the lead in developing an integrated assurance framework/model, including the mapping and coordinating of other sources of assurance from across the Council to ensure any gaps or overlaps are managed.
- Develop a more joined-up, informative approach to reporting assurance to senior management and the Audit and Standards Advisory Committee.
- Work more closely with other assurance providers to share resources, information and intelligence.

These four objectives have been set to guide the delivery of our services over the period 2024-2027; however, we will review these at the beginning of each financial year to ensure they remain appropriate, relevant and fit for purpose.

E. Delivering the Strategy

Annual Planning

We will continue to prepare an annual plan/programme of work in consultation with CMT and the Audit and Standards Advisory Committee in accordance with standard practices; however, in accordance with the objectives set out above, our planning and delivery will need to be less rigid and more flexible than in the past. To this end, to ensure that the plan is more responsive to changing risks and challenges, whilst retaining the necessary core assurance work, it will be presented in the following format and sections:

- 1) **Core assurance work** – this will list the core/key systems and processes that *will be subject to an internal audit review* in each respective financial year, including proposed timescales and an indicative scope. Whilst there may still be a need to flex this plan in response to significant changes or risks, it is anticipated that this aspect of the plan will remain relatively stable and unchanged.
- 2) **Risk-based assurance work** – this work will be a significant element of how we deliver the strategy and provide the flexibility and responsiveness that the Council requires in order to ensure audit coverage keeps pace with the changing needs and risks of the organisation. This part of the plan will be determined via a number of methods, including a rolling risk assessment, assurance mapping against strategic and key inherent risks, horizon-scanning to identify new/emerging areas of risk, and ongoing consultation with senior management. Under this part of the plan, at the beginning of each financial year we will produce a list of anticipated and potential audit areas, alongside a supporting scope and/or rationale for inclusion. However, the plan will be reviewed, updated and re-prioritised as appropriate by the Head of Internal Audit. To that end, revisions to the plan will be reported to the Audit and Standards Advisory Committee as appropriate; however, as a minimum, an updated plan will be presented at the September (mid-year point) and January/February (in preparation for year-end) meetings of the Committee.
- 3) **Advisory and consultancy work** – this work is often reactive to requests from senior management, and therefore we will retain a portion of time each year to accommodate these (circa 15%). However, moving forward we will also indicate any planned consultancy/advisory activities, which will be reported to the Audit and Standards Advisory Committee in accordance with the timescales set out above under point 2. Examples of this work include advising on the design and implementation of new policies, processes or systems; providing training; and facilitating discussions around risks and controls.
- 4) **Follow-up Activity** – we will continue with our established follow-up process, tracking actions through to confirmed implementation, to provide confirmation that improvements in the Council's governance, risk management and control have been embedded.

Ensuring Quality and Value for Money

Operationally, we will continue to operate with defined quality standards for the planning, execution and reporting of all internal audit work. Our reports and outputs will be balanced, clear, concise, and constructive, and will provide an independent and objective assessment and opinion on the effectiveness and efficiency of controls. We will also make recommendations, where necessary, to highlight areas for improvement and to provide insight and share best practice.

We will also continue to provide regular reports to senior management, Assurance Board, CMT and the Audit and Standards Advisory Committee to provide assurance over how well Council risks are being managed, and the adequacy, effectiveness and efficiency of the Council's governance and internal control framework. The Head of Internal Audit will also provide a statutory Annual Internal Audit Opinion to those charged with governance, timed to support the approval of the Council's Annual Governance Statement.

The successful delivery of this strategy relies on the effective deployment of the collective skills, abilities and resources of the Internal Audit function. To this end, we continue to operate a co-sourced model whereby the in-house team (comprising the Head of Internal Audit, Audit Manager, 3x Principal Auditors and an Audit Apprentice) is complemented using an external contractor (PwC). This delivery model provides a number of benefits, including an in-depth understanding of Brent specific issues via the in-house team; increased flexibility, capacity and operational resilience; and access to specialist assurance and advisory services.

In addition, we continue to be outward-looking and engage with peers in other local authorities via the London Audit Group and the Cross-Council Assurance Service, which provide opportunities for learning, improvement and collaboration. Priority areas for improvement will be identified collectively through the function's Quality Assurance and Improvement programme (reported annually), and more specifically via individual staff 1:1s, appraisals and performance monitoring arrangements. We have a number of processes in place to ensure quality across all aspects of our work, including clearly defined standards for the planning, execution and reporting of all internal audit work; tailored supervision; and the review and approval of all outputs by the Head of Internal Audit before issue. Internal Auditors are also required to undergo continued professional development to ensure that they maintain up-to-date knowledge and skills and can respond to the needs of the internal audit function and changes in the professional practice of internal audit.

Risks and Opportunities

To support this strategy and to assist with identifying further opportunities for improvement, we have undertaken a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis, as summarised below. In addition, we continue to identify, assess and manage risks that may threaten the achievement of our objectives via our service-level risk register.

Based on outcomes of the SWOT exercise, the following improvement and development commitments will underpin the delivery of this strategy:

- 1) To develop agile auditing methods and techniques;
- 2) To utilise technology, including data analytics;
- 3) A continued commitment to internal audit apprenticeships; and
- 4) A continued commitment to professional development.

<p>Strengths</p> <ul style="list-style-type: none"> → Skilled and experienced team. → Robust processes and ways of working. → Positive EQA assessment. → Well positioned within the organisation. → Good profile and reputation. → Access to specialisms. 	<p>Weaknesses</p> <ul style="list-style-type: none"> → Recruitment and retention of staff. → Limited resources / capacity. → Timeliness and promptness of reporting. → Limited use of data/technology.
SWOT Analysis	
<p>Opportunities</p> <ul style="list-style-type: none"> → To capitalise on emerging technology. → Increasing demand and scope for Internal Audit. → To make key contributions to the change programme. → New Global Internal Audit Standards. 	<p>Threats</p> <ul style="list-style-type: none"> → Demand exceeds supply. → Over-reliance on Internal Audit. → Competing/ conflicting demands and priorities. → Significant governance /control/ fraud issue.

F. Reviewing and Reporting

Measuring Success

The continuous monitoring and evaluation of our work is essential to ensure that we remain aligned with the Council's strategic objectives, deliver value to stakeholders, and operate with optimal levels of efficiency and effectiveness. The following Key Performance Indicators have therefore been established to measure performance:

Planning & Coverage <ul style="list-style-type: none">✓ % of Core Assurance Plan completed across the 3-year cycle <i>(target 100%)</i>✓ % of strategic risks/ key inherent risks covered across 3-year cycle <i>(target 100%)</i>	Follow-up <ul style="list-style-type: none">✓ % of Critical and High-risk actions followed-up within 1 month of due date <i>(target 100%)</i>✓ % of audit actions implemented within original timescales <i>(target 75%)</i>
Delivery <ul style="list-style-type: none">✓ Timeliness in raising issues with Management - end of fieldwork to draft report <10 working days.✓ % of acceptance to audit recommendations <i>(target 100%)</i>✓ Number of requests for consultancy/advisory services	Quality <ul style="list-style-type: none">✓ % of audit satisfaction surveys rated as 'good or better' <i>(target 100%)</i>✓ Conformance to the Public Sector Internal Audit Standards

The critical success factor to any Internal Audit function is in how it adds value to an organisation. This can be measured in a broad number of ways, including levels of engagement and requests for work, the rate and level of the implementation of recommendations, and stakeholder feedback; however, in order to gather a true reflection of the value added by Internal Audit a more holistic view is required other than exclusively relying on KPIs. To that end, in addition to monitoring the above KPIs, we will also seek to:

- Obtain regular and formal feedback from Senior Management (including the Chief Executive and S151 Officer) and the Audit and Standards Advisory Committee;
- Highlight areas and occasions where the work of internal audit has led to significant improvements (i.e. through improved processes and controls).
- Highlight areas and occasions where the work of internal audit has led to significant savings or income generation.

Reviewing and reporting progress

We will review and update the strategy at the beginning of each financial year to ensure it remains relevant and in-line with expectations. Our progress towards delivering the strategy will be reported to CMT and the Audit and Standards Advisory Committee in accordance with established protocols.