

	Audit and Standards Advisory Committee 12 June 2024
	Report from the Corporate Director of Finance and Resources
	Lead Member - Deputy Leader and Cabinet Member for Finance, & Resources (Councillor Mili Patel)
Internal Audit Annual Report 2023-24	

Wards Affected:	All
Key or Non-Key Decision:	Not Applicable
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
List of Appendices:	Two: Appendix 1: Internal Audit Annual Report 2023-24 Appendix 2: Internal Audit Charter
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Darren Armstrong Deputy Director Organisational Assurance and Resilience 020 8937 1751 Darren.Armstrong@brent.gov.uk

1.0 Executive Summary

- 1.1. This report summarises the activity of Internal Audit for the financial year 2023-24, including an update on work completed since the previous updated provided in December 2023.
- 1.2. The report is intended to support CMT and 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 Internal Audit plan, highlighting areas where recommendations have been made, and commenting on the level of implementation of audit recommendations by management.
- 1.3. The report also provides the Annual Internal Audit opinion, provided by the Deputy Director Organisational Assurance and Resilience (as the Head of Internal Audit), on the adequacy and effectiveness of the Council's framework

for governance, risk management and control, which is used to support the Council's Annual Governance Statement.

- 1.4 The report also presents the revised Internal Audit Charter, reflecting a recent change in the role of the Head of Internal Audit.

2.0 Recommendation

- 2.1 The Committee is asked to:

- a) note the outcomes of the internal audit work completed in 2023-24;
- b) note the Annual Internal Audit opinion on the adequacy and effectiveness of the Council's framework for governance, risk management and control;
- c) note the revised Internal Audit Charter and to confirm this accurately reflects the Committee's understanding and expectations of the internal audit function.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The role and mission of the Internal Audit function is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit helps the Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the governance, risk management and control processes in place.

3.1.2 The mission of Internal Audit is achieved through providing a combination of risk-based assurance and consulting activities. The assurance suite of work involves assessing how well the systems and processes are designed and operating in order to effectively mitigate risk, while consulting activities aid with the improvement in systems and processes where necessary.

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's Internal Audit function is delivered in accordance with the Accounts and Audit Regulations 2015 and 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.

3.2.2 Both the Accounts and Audit Regulations 2015 and the PSIAS require the Head of Audit to provide an annual opinion on the overall adequacy of the Council's

framework of governance, risk management and internal control that can be used by the Council to inform its governance statement.

- the opinion;
- a summary of the work that supports the opinion, and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

3.2.3 The Head of Audit's opinion is underpinned by the work undertaken by Internal Audit. To this end, the work performed by Internal Audit in 2023-24 was in accordance with the plan agreed by CMT and the Audit and Standards Advisory Committee in March 2023. The 2023-24 plan was developed to provide assurance against key risk areas that may threaten the achievement of the Council's corporate objectives and priorities. It was drafted from a number of sources including the Council's 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 sought to provide continued assurance over the Council's key systems and processes, including key financial systems, and areas where senior management has requested independent assurance.

3.3 **Annual Report 2023-24**

3.3.1 The Internal Audit Annual Report for 2023-24 is found at **Appendix 1**, and covers the following sections:

- Section 2 – Internal Audit Independence and Objectivity
- Section 3 - Delivery of the 2023-24 Internal Audit Plan
- Section 4 – Summary of risks/issues identified
- Section 5 - Follow-up activity
- Section 6 - Head of Internal Audit Opinion
- Section 7 - Quality Assurance and Improvement Plan
- Appendices:
 - A. Status and delivery of the 2023-24 Plan
 - B. Summary of audits completed in Q3-4 2023-24
 - C. Summary of follow-up activity
 - D. Overdue actions(high and medium risk)

3.4 **Internal Audit Charter**

3.4.1 In accordance with the Public Sector Internal Audit Standards (PSIAS), and the pending Global Internal Audit Standards that are due to come into force in January 2025, the Head of Internal Audit must develop and maintain an Internal Audit Charter that specifies the internal audit function's:

- Purpose of Internal Auditing;
- Commitment to adhering to the Standards;

- Mandate, including scope and type of services to be provided, and the expectations regarding management's support of the internal audit function; and
- Organisational position and reporting relationships.

3.4.2 Owing to a recent senior management re-alignment, the Charter has been updated to reflect a change in the Head of Internal Audit's role (now the Deputy Director Organisational Assurance and Resilience) and additional areas of responsibility. To this end, the Charter, as seen at **Appendix 2**, describes how the organisational independence of the Internal Audit function will continue to be preserved and safeguarded in light of the changes. Furthermore, a structure chart has also been included to demonstrate how the functional and administrative reporting lines of the Head of Internal Audit preserve independence.

3.4.3 In accordance with the standards, the proposed charter must be presented to the Committee to confirm that it accurately reflects their understanding and expectations of the internal audit function.

4.0 Stakeholder and ward member consultation and engagement

4.1 None.

5.0 Financial Considerations

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

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

9.1 None.

Report sign off:

Minesh Patel

Corporate Director of Finance and Resources