

	<p style="text-align: center;">Audit and Standards Advisory Committee 25 September 2024</p>
	<p style="text-align: center;">Report from the Corporate Director of Finance and Resources</p>
	<p style="text-align: center;">Lead Member - Deputy Leader and Cabinet Member for Finance, Resources & Reform (Councillor Mili Patel)</p>
<p style="text-align: center;">Internal Audit Activity – Q1 and Q2 Activity 2024-25</p>	

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 Activity Update Q1 & Q2 Appendix 2: Summary of Risks and Issues from Audits Completed in Q1 & Q2
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 The Internal Audit Plan for 2024-25 was agreed by the Audit and Standards Advisory Committee in March 2024.
- 1.2 This plan was the first prepared under the new Internal Audit Strategy for 2024-2027 (also approved in March 2024), which proposed a new method for determining the activity of internal audit in-year and moved away from the more traditional 'annual plan' approach. This new approach was designed to enable the Internal Audit function to work more flexibly and to ensure it is more responsive to the Council's changing risks, priorities and assurance needs.
- 1.3 This report provides an update on the activity of Internal Audit for Quarters 1

and 2 of 2024-25. It has been prepared as a light-touch update for information purposes, with a more comprehensive Interim Report for 2024-25 due in December 2024.

2.0 Recommendations

2.1 The Committee is asked to note:

- a) the progress made towards delivering the planned core assurance work.
- b) the Internal Audit Activity for Quarters 1 and 2 of 2024-25, and
- c) the potential audit areas for Quarters 3 and 4.

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 new Global Internal Audit Standards, which come into force from January 2025, require that the Head of Internal Audit prepares an Internal Audit Plan that supports the achievement of the organisation's objectives.

3.2.2 The Standards further recommend that the plan should be updated as frequently as every six months, quarterly, or even monthly, to reflect changes in the organisation's operations, risks, programmes, systems, controls, and organisational culture.

3.2.3 To this end, and in-line with these new requirements, a new approach was adopted for developing the 2024-25 Internal Audit Plan, which moved away from the more traditional 'annual plan' method. Under this new approach, the plan was prepared to comprise of the following four sections:

- a) **Core Assurance Plan** – which lists the work that will be undertaken in-year to provide assurance over the Council’s core/key systems and controls. A three-year cyclical plan of core assurance activity was set out and agreed in March 2024.
- b) **Agile, Risk-based Plan** – which lists potential audit areas that have been identified via a number of methods, including a rolling-risk assessment, assurance mapping, and consultation with senior management. This section of the plan was designed to be flexible to enable Internal Audit to be responsive to emerging risks, issue and changing priorities. It is therefore not a rigid plan and the Head of Internal Audit reviews, updates and re-prioritises the list as appropriate.
- c) **Consultancy and Advice** – this section of the plan retained a portion of time to be reactive and responsive to requests from senior management for consultancy and advisory services.
- d) **Follow-up Activity** – which details the work to be undertaken by Internal Audit to follow-up and track agreed actions through to implementation, to ensure improvements to the Council’s governance, risk management and control arrangements are made.

3.3 Internal Audit Activity – Quarters 1 and 2

3.3.1 The Internal Audit team has continued to deliver a broad range of work in the first half of 2024-25. As is often typical of the first part of the year, the team has taken time to carefully scope and plan a number of audits that will take place later in the year. Core assurance work, in particular key financial system reviews, are intentionally undertaken in Quarters 3 or 4 to ensure that assurance is provided across as much of the financial year as possible to help underpin the Head of Internal Audit’s annual opinion.

3.3.2 Key highlights of Internal Audit activity across Quarters 1 and 2 are as follows:

- **Seven** reviews have been completed;
- **Five** high risk/high assurance need audits are at draft report stage, awaiting management responses.
- **Five** high risk/high assurance need audits are in progress, with fieldwork underway.
- **Ten** core assurance reviews are in progress, with fieldwork due to commence in Quarter 3 and 4.
- **Six** follow-up reviews have been concluded, with a further **twelve** in progress.

3.3.3 Further details of the audit work undertaken in Quarters 1 and 2, including the status of each individual audit, can be seen at **Appendix 1**.

3.3.4 A summary of the risks/issues identified in audits completed in Quarter 1 and 2 is also attached at **Appendix 2**. Comprehensive management responses have

been provided for each action and Internal Audit will undertake follow-up reviews upon the passing of implementation dates.

3.4 Projected Internal Audit Activity – Quarters 3 and 4

3.4.1 As detailed in **Appendix 1**, the Internal Audit team has made good progress towards delivery of the Core Assurance plan, with fieldwork for a number of audits due to commence within Quarters 3 and 4. It is anticipated that at least 90% of this plan will be completed by 31st March 2024 (draft report stage), which will enable the Head of Internal Audit to provide an informed and evidence based opinion as to the effectiveness of the Council's governance, risk management and control framework.

3.4.2 The Agile Risk-Based plan, also seen at **Appendix 1**, lists the potential high risk and high assurance audit areas that will be prioritised for delivery in Quarters 3 and 4. This list is fluid and subject to change in response to new/emerging risks and/or a change in priorities. This list does not purport to be a rigid plan or a list of audits that will be delivered, as the resources required to deliver all of this work significantly exceeds the resources available. The plan is therefore included to provide assurance in respect of how the work of Internal Audit will be determined and directed.

3.4.3 A further update on progress will be provided as part of the Interim Internal Audit Report in December 2024.

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