



Internal Audit Annual Report

2024-25

1. Introduction

This report summarises the work undertaken and delivered by Internal Audit for the financial year 2024-25, in accordance with the agreed plan and programme of work agreed in March 2024.

The report is intended to support the Council Management Team (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, 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.

Head of Internal Audit Annual Opinion and Conclusion

The new Global Internal Audit Standards (GIAS) came into force in January 2025. GIAS 11.3 (Communicating Results) references that the Chief Audit Executive (Head of Internal Audit) may be required to make a conclusion over the effectiveness of the organisation's governance, risk management and control.

The *Global Internal Audit Standards in the UK Public Sector Application Note* requires the Chief Audit Executive (Head of Internal Audit) to make an annual conclusion over the effectiveness of the organisation's governance, risk management and control. Furthermore, the Head of Internal Audit must also report annually on the results of the quality assessment carried out under GIAS 12.1 Internal Quality Assessment, including progress against action plans to address instances of non-compliance.

This report satisfies both of those requirements, with the Head of Internal Audit Annual Opinion detailed at section 10, and the Quality Assurance and Improvement Programme at section 11.

2. Independence and Objectivity

Confirmation of Independence

The Global Internal Audit Standards require that the Internal Audit function must be independent and internal auditors must be objective in performing their work. To this end, the “Chief Audit Executive” (Head of Internal Audit) must confirm, at least annually, that the organisational independence of the internal audit function has been preserved.

The Deputy Director Organisational Assurance and Resilience fulfils the role of Head of Internal Audit for the Council. The Deputy Director, Organisational Assurance and Resilience (Head of Internal Audit hereafter) is therefore pleased to report that there have been no actual or perceived threats to the independence and objectivity of the Internal Audit function in relation to the work carried in 2024-25.

The Head of Internal Audit and all internal auditors have continued to receive unfettered access to CMT, senior management, officers and all information/records necessary to undertake our work, and there have been no restrictions placed upon the function. The internal audit function was subject to an External Quality Assessment (EQA) in 2022-23, which identified no concerns regarding the independence or objectivity of the function.

Head of Internal Audit – other areas of responsibility

The Head of Internal Audit (as the Deputy Director Organisational Assurance and Resilience) is responsible for the management of other services/functions within the Council, specifically: Counter Fraud and Investigations; Health and Safety; Insurance; and Emergency Planning and Resilience. In-line with the agreed programme of work for 2024-25, an audit review of the Insurance function was undertaken in 2024-25 as part of the *core assurance* plan. To preserve independence and objectivity, the following safeguards were put in place (as per the Internal Audit Charter):

- The audit was managed and led by the Internal Audit Manager, independently of the Head of Internal Audit.
- The audit was undertaken by the external co-sourced partner, to enable an additional layer of separation.
- The outcomes of the work were reported directly to the Corporate Director Finance and Resources.

3. Assurance and Risk Ratings

Assurance Ratings

The following assurance opinions are applied across all assurance reviews (assurance ratings/opinions are not provided for consultancy and advisory work).

Assurance Rating	Description
Substantial	There is a sound control environment with risks to key service objectives being satisfactorily managed. Recommendations will normally only be Advice and Best Practice.
Moderate	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Limited	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any High recommendations would need to be mitigated by significant strengths elsewhere.
No Assurance	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered

Risk Ratings

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

The following definitions are used to inform these ratings:

Risk Rating	Description
Critical	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.
High	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.
Medium	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.
Low	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. Summary of Activity 2024-25 - Dashboard

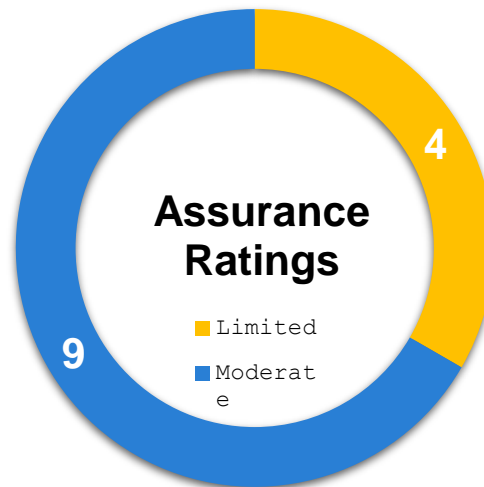
- 51** Audits Reports issued in-year
 - 12** Core Assurance
 - 10** Assurance over inherent risks
 - 3** School audits
 - 6** Consultancy/Advisory reviews
 - 20** Follow-up reviews (full)



5a. Core Assurance Work 2024-25 - Dashboard

This work is undertaken to provide assurance over the Council's core/key systems and controls. This is in accordance with a rolling, 3-year cyclical plan.

13 Audits Completed (100% of plan)
4 Key Financial Systems reviews
4 IT Reviews
5 Inherent Risks reviews



5b. Core Assurance Work 2024-25 - Summary

Type	System / Process	Status	Assurance Provided	Number of Findings		
				HIGH	MEDIUM	LOW
<i>Key Financial Systems</i>	♦ General Ledger	Completed	<i>Moderate</i>	-	3	2
	♦ Treasury Management	Completed	<i>Moderate</i>	-	2	1
	♦ Insurance	Completed	<i>Moderate</i>	-	3	-
	♦ VAT	Completed	<i>Moderate</i>		3	2
<i>ICT / Cyber</i>	♦ STS Procurement	Completed	<i>Moderate</i>	-	1	-
	♦ STS Project Management	Completed	<i>Moderate</i>	-	4	1
	♦ IT Application – NEC	Completed	<i>Moderate</i>	-	3	3
	♦ IT Application - Mosaic	Completed	<i>Moderate</i>	-	1	2
<i>Inherent Risks</i>	♦ Recruitment (vetting)	Completed	<i>Moderate</i>	-	2	3
	♦ True Compliance	Completed	<i>Limited</i>	1	1	-
	♦ Health and Safety Compliance (FLAGE)	Completed	<i>Limited</i>	5	-	
	♦ Procurement	Completed	<i>Limited</i>	4	1	-
	♦ Performance Management	Completed	<i>Limited</i>	4	-	-

5c. Core Assurance Work 2024-25 – Findings (High & Medium)

i) *Key Financial Systems* - work undertaken to provide assurance over the effectiveness and efficiency of key financial controls.

System / Process	Assurance Provided	Summary of Findings
♦ General Ledger	<i>Moderate</i>	<p>Medium Risk</p> <ol style="list-style-type: none"> Access to GL – we noted several discrepancies in the process for provisioning and revoking staff access to the GL System. Bank Reconciliations – we noted that there is no record on the reconciliation sheet to evidence when the reconciliation was prepared. There was also no evidence of approval for the February 25 reconciliation. Balance Sheet Journals – we tested a sample of 25 posted and 25 unposted journals and noted that the journal checklist was not consistently used; and notes for rejecting journals were not recorded
♦ Insurance	<i>Moderate</i>	<p>Medium Risk</p> <ol style="list-style-type: none"> Manual Processing of Claims – all claims are manually imported into LACHS system, increasing the risk of inaccuracies. Lack of SLA with third party claim handlers – we noted that there is no SLA in place with a third party claim handler Lack of Policy and Procedures – there is no Insurance Strategy in place. Additionally, there are no comprehensive end-to-end procedure guides.
♦ Treasury Management	<i>Moderate</i>	Two low risk findings raised to further enhance policies and procedures.
♦ VAT	<i>Moderate</i>	<p>Medium Risk</p> <ol style="list-style-type: none"> Lack of Consultation on Capital Programmes - The VAT Team are not consulted during the review or approval process for capital programmes. VAT Return Preparation Process Note - The VAT return is currently prepared by a single team member. Although there are existing processes and some documentation regarding VAT return preparation, these do not comprehensively cover the entire process. Lack of Partial Exemption Calculations – The Council has not been performing partial exemption calculations

5c. Core Assurance Work 2024-25 – Findings (High & Medium)

ii) *IT Audit* - work undertaken to provide assurance over the effectiveness and efficiency of IT key controls.

System / Process	Assurance Provided	Summary of Findings
♦ STS Procurement	<i>Moderate</i>	<p>Medium Risk</p> <ol style="list-style-type: none"> Outdated Procurement Policies and Procedures – several key procurement governance documents have not been reviewed or updated to reflect new Procurement Act 2024 requirements.
♦ STS Project Management	<i>Moderate</i>	<p>Medium Risk</p> <ol style="list-style-type: none"> Risk and Issue Tracking – there is reliance on project managers maintaining individual project risk and issue trackers, resulting in gaps in PMO oversight. Resource Constraints – there is no defined process for resource allocation assessments to ensure projects are effectively resourced and managed. Documentation and Record-keeping- there is a lack of centralised record keeping, with some documents stored on personal OneDrive accounts. Budget Reporting – There is an ad-hoc, undocumented process in place for addressing budget variances.
♦ IT Application - NEC	<i>Moderate</i>	<p>Medium Risk</p> <ol style="list-style-type: none"> User Activity Monitoring – there is no standing operating procedures for reviewing audit logs User Deactivations Dates – we were unable to confirm that the date of deactivation for a sample of leavers had been processed in a timely manner. Segregation of Duties Matrix – no segregation of duties matrix has been developed that outlines roles based access controls.
♦ IT Application - Mosaic	<i>Moderate</i>	<p>Medium Risk</p> <ol style="list-style-type: none"> User Access Logs Review – periodic user access log reviews are inconsistently validated. Lack of documentation to support interface checks – the interface process is well executed but lacks documentation. Delays and Inaccuracies in 90 day inactive account removal – instances were found where users remains active despite being flagged in 90 day inactivity reports.

5c. Core Assurance Work 2024-25 – Findings (High & Medium)

iii) **Inherent Risks** - work undertaken to provide assurance over the effectiveness and efficiency of key controls relating to inherent risks.

System / Process	Assurance Provided	Summary of Findings
♦ Recruitment	<i>Moderate</i>	<p>Medium Risk</p> <p>1. Lack of Documented Process - for Temporary-to-Permanent Recruitment</p> <p>Lack of mandatory training – training for hiring managers is not mandatory and is not monitored.</p>
♦ True Compliance	<i>Limited</i>	<p>High Risk</p> <p>1. Data Integrity – automation of the transfer and reconciliation of data from Northgate to True Compliance is necessary to ensure timely and accurate reporting.</p> <p>Medium Risk</p> <p>2. Policies and Procedures – there is an absence of policies and procedures which may lead to inconsistencies with the treatment of properties on the system.</p>
♦ Procurement	<i>Limited</i>	<p>High Risk</p> <p>1. Open Purchase Orders – at April 2024, there were over 4000 open and approved purchase orders, with a combined value of over £270m. Some of these were raised as far back as 2021.</p> <p>2. High Spend Single Suppliers – we found purchases with single suppliers that exceed limits/thresholds.</p> <p>3. Supplier Vetting – financial viability checks are carried out during the contract award stage, but were found to have not been carried out again during the lifetime of the contracts.</p> <p>4. Strategic Oversight – the role and responsibilities of the Commissioning and Procurement Board requires more formal clarification.</p> <p>Medium Risk</p> <p>5. Waivers – the justification for waivers is not being consistently recorded.</p> <p>6. Roles and Responsibilities – there is a lack of supporting guidance to clarify roles and responsibilities across the Council.</p> <p>7. Strategic Planning – the Procurement Strategy did not reference the new Procurement Bill.</p>

System / Process	Assurance Provided	Summary of Findings
<ul style="list-style-type: none"> ◆ Performance Management 	<p><i>Limited</i></p>	<p>High Risk</p> <ol style="list-style-type: none"> 1. Performance Reporting - A number of KPIs are contextual and/or lack targets, limiting their effectiveness as performance measures. Some key risk-related areas are omitted, and the reporting focuses more on activity than strategic outcomes. 2. Governance - While overarching frameworks such as the Brent Data and Insight Strategy and Performance Management Framework are in place, there is a lack of detailed governance procedures, formal training, and consistent documentation. Audit trails and benchmarking practices are not consistently implemented, weakening oversight, accountability, and alignment with strategic goals. 3. Usage and Engagement - There was no documented review or challenge of underperformance based on the scorecard presentation or evidence of using the balanced scorecard for decision-making. Additionally, the balanced scorecard lacks trend analysis and context, with no key insights to guide decision-making or highlight critical metrics. 4. Data Quality and Integrity - No formal or consistent processes exist for validating or checking the accuracy of KPI data. Data quality checks rely on informal sense-checks, with no routine sampling or traceability to source systems.
<ul style="list-style-type: none"> ◆ Health and Safety Compliance (FLAGE) 	<p><i>Limited</i></p>	<p>High Risk</p> <ol style="list-style-type: none"> 1. Lack of Centralised Governance Structure and Oversight - The Council's property portfolio is split across multiple teams, each using different compliance frameworks, causing confusion about who oversees key remedial actions or escalations. 2. Lack of Centralised Data Management - The current approach to managing H&S compliance data across the Council is decentralised, relying on the individual responsible teams to track the compliance of properties in their area, meaning the Council lacks a holistic view of H&S compliance of its complete property portfolio through a single system or register. 3. Compliance Oversight and Verification of Data- The Council's monitoring of H&S compliance relies heavily on self-reported data from contractors and tenants, with minimal use spot checks or unannounced audits by the responsible teams. 4. H&S Non-Compliance Risks of Historic Leases - Historic FRI leases often do not include modern H&S requirements such as asbestos or legionella checks. 5. Performance Metrics and Reporting - For properties where H&S management is outsourced, the current feedback system for performance related issues lacks real-time visibility, which could delay critical remedial actions.

6a. Risk-Focussed Work 2024-25 - Dashboard

This section of the plan is intended to be flexible and adaptive to respond to changing risks and priorities.



6b. Risk-Focussed Work 2024-25 - Summary

System / Process	Status	Assurance Provided	Number of Findings		
			HIGH	MEDIUM	LOW
♦ Section 20/20B Major Works and Improvement re-charges	Completed	<i>Moderate</i>	1	1	-
♦ Social Housing (Regulation) Act – inspection preparedness (ASB)	Completed	<i>Limited</i>	2	3	-
♦ Discretionary Housing Payments	Completed	<i>Moderate</i>	-	1	4
♦ Re-defining Local Services – Contract Management	Completed	<i>Moderate</i>	-	3	1
♦ Direct Payments (Children's)	Completed	<i>Limited</i>	4	-	-
♦ Direct Payments (Adults) *	Completed	<i>Limited</i>	3	2	-
♦ Public Health Contract Management *	Completed	<i>Moderate</i>	-	3	-
♦ Temporary Accommodation*	Completed	<i>Limited</i>	5	9	1
♦ S106/CIL*	Completed	<i>Moderate</i>	-	2	1
♦ First Wave Housing Ltd / i4B Billing Arrangements *	Completed	<i>Moderate</i>	2	2	-

* Findings were previously reported in December 2024 and have not been included within this report.

6c. Risk-Focussed Work 2024-25 - Findings (High & Medium)

System / Process	Assurance Provided	Summary of Findings
<ul style="list-style-type: none"> Section 20/20B Major Works and Improvement re-charges 	<i>Moderate</i>	<p>High Risk</p> <ol style="list-style-type: none"> Major Projects Tracker Documentation – the tracker contained limited information and does not record dates when Section 20 notices should be, and have been, issued. In addition, the tracker does not record Section 20b notices. <p>Medium Risk</p> <ol style="list-style-type: none"> Improvements to Policies and Procedures – we noted several areas for improvement within policy and procedure documents
<ul style="list-style-type: none"> Social Housing (Regulation) Act – inspection preparedness (ASB) 	<i>Limited</i>	<p>High Risk</p> <ol style="list-style-type: none"> Systems and Data Quality – the Council uses two separate systems to manage ASB cases, which are not integrated and there is no reconciliation process. Furthermore, the ASB Procedure lacks guidance on the use of each system, including roles and responsibilities. ASB Case Management – sample testing of ASB cases identified insufficient case note, missing acknowledgement emails, data inaccuracies, and in one instance a case was unassigned for three months. <p>Medium Risk</p> <ol style="list-style-type: none"> Lack of Resident Engagement Activities – the Council has not undertaken any engagement activities to inform residents about the actions ASB Procedure and Training in Managing ASB Cases – the ASB Procedure lacks clear guidance on team roles, responsibilities and structure. Lack of ASB Reporting – while the Council reports ASB related Tenant Satisfaction Measures, there is a lack of defined reporting mechanisms to regularly monitor ASB case handling.
<ul style="list-style-type: none"> Discretionary Housing Payments 	<i>Moderate</i>	<p>Medium Risk</p> <ol style="list-style-type: none"> Budgetary Control – there is no formalised monitoring process in place for discretionary housing payments (DHP) which was attributed to time constraints. Furthermore, while payment limits have been set for DHPs, we noted 10% of DHPs had exceeded these limits.

System / Process	Assurance Provided	Summary of Findings
<ul style="list-style-type: none"> ♦ Re-defining Local Services – Contract Management 	<p><i>Moderate</i></p>	<p>Medium Risk</p> <ol style="list-style-type: none"> 1. Inconsistent attendance in contract management meetings - While the scheduled contract meetings are taking place as required, there have been instances of absences noted at the Partnership Board meetings 2. Annual Service and Performance Management Review not conducted - At the time of the audit, the required Annual Service and Performance Management Review of Veolia's performance and contract operations, as stipulated in the contract, has not been conducted for the past year. We understand that this was recently completed after the audit.
<ul style="list-style-type: none"> ♦ Direct Payments (Children's) 	<p><i>Limited</i></p>	<p>High Risk</p> <ol style="list-style-type: none"> 1. Policies and Procedures – There are no local guidelines or procedures in place to support the process of validating, uploading or monitoring Direct Payment (DP) service user accounts. 2. Service user Accounts - Evidence of panel approval for Direct Payment care packages is inconsistent and in some cases absent. Also, the accuracy and validity of service user accounts cannot always be confirmed. 3. Payment Process – Consistent and regular monitoring of service user accounts is not being carried out. Additionally, regular, reliable and meaningful reporting of monitoring is not produced. <p>Medium Risk</p> <ol style="list-style-type: none"> 4. Payment System Recording - There are nine versions of the same classification for funds retrieval in the PFS system, this will make exception reporting unnecessarily complex and there is a possibility that any review process will be incomplete.

7. Consultancy and Advisory Work 2024-25

In addition to assurance work, Internal Audit is also required to provide consultancy and advisory services to add value and to help improve the effectiveness of the Council's governance, risk management and control arrangements. The below table summarises the main consultancy and advisory work undertaken in 2024-25; however, it should be noted that in addition to these, Internal Audit has continued to provide ad-hoc support, such as active participation in Boards and meetings (including the Budget Assurance Panel and the Embrace Change Programme).

System / Process	Status	Scope / Advice Provided
<ul style="list-style-type: none"> Financial Resilience and Sustainability 	<p>Completed</p>	<p><i>HIA Suggested Review</i></p> <p>To assess how well the Council can manage these ongoing risks, Internal Audit has undertaken a review using elements of the CIPFA Financial Management model. This review focused on three key areas of financial resilience:</p> <ul style="list-style-type: none"> Adequacy of reserves Effectiveness of the Medium-Term Financial Strategy (MTFS) and quality of underlying assumptions Capacity to withstand financial shock. <p>The overarching aim was to evaluate the Council's ability to maintain robust financial health in a volatile environment. The review comprised two parts: a self-assessment by the Finance team against CIPFA criteria and a workshop to validate and refine those insights. This advisory report, offering key findings and suggested areas for consideration, including examples of best practice from across the local government sector, forms the output from this review.</p> <p>A number of areas of possible improvement were raised for consideration:</p> <ol style="list-style-type: none"> Need to rebuild reserves to manage in-year unexpected financial pressures. The outputs from the CIPFA Financial Resilience Index have not been reported in budget reports. Lack of a Zero-Based Budgeting (ZBB) approach due to resource limitations. Improvement needed in benchmarking and refining growth assumptions Need to enhance scenario planning by combining multiple variables into more comprehensive sensitivity analysis

System / Process	Status	Scope / Advice Provided
		<p>6. Lack of a separate formalised medium-term financial plan (described in budget reports but not as a standalone document).</p> <p>7. Detailed discussion on contingency plans is yet to be finalised at an upcoming workshop.</p> <p>8. Identification of additional measures needed to improve resilience in case of financial shocks.</p> <p>9. Need for ongoing refinement of resilience assessments and mitigation strategies.</p> <p>10. Continued monitoring required to address key financial risks related to temporary accommodation and broader financial sustainability</p>
<ul style="list-style-type: none"> ♦ Parks/Open Spaces Invoicing 	<p>Completed</p>	<p><i>Management Request.</i></p> <p>To provide assurance that the invoicing and collection of income was being carried out appropriately and in line with the License to Occupy.</p>
<ul style="list-style-type: none"> ♦ Oracle Cloud 	<p>Completed</p>	<p><i>Management Request.</i></p> <p>To provide assurance over system issues with BACS payments files having to be manually loaded by the AP team.</p>
<ul style="list-style-type: none"> ♦ Contractor Appointment 	<p>Completed</p>	<p><i>HIA Advice Note.</i></p> <p>Review and risk assessment arising from appointment of a contractor.</p>
<ul style="list-style-type: none"> ♦ Social Housing Decarbonisation Fund 	<p>Completed</p>	<p><i>Management Request.</i></p> <p>To provide assurance that grant payment has been spent in line with the scheme guidance.</p>
<ul style="list-style-type: none"> ♦ Brent River College 	<p>Completed</p>	<p><i>Management Request.</i></p> <p>To provide assurance that grant payment has been spent in line with the scheme guidance.</p>

8. School Audit Work 2024-25

System / Process	Status	Assurance Provided	Number of Findings		
			HIGH	MEDIUM	LOW
♦ Carlton Vale Infant School	Completed	<i>Limited</i>	4	2	-
♦ Lyon Park Primary School	Completed	<i>Limited</i>	1	5	2
♦ Brent Music Service	Completed	<i>Limited</i>	3	3	-

9a. Follow-up Work 2024-25 - Dashboard

This section of the report provides an update on following-up on audits completed in 2023-24.

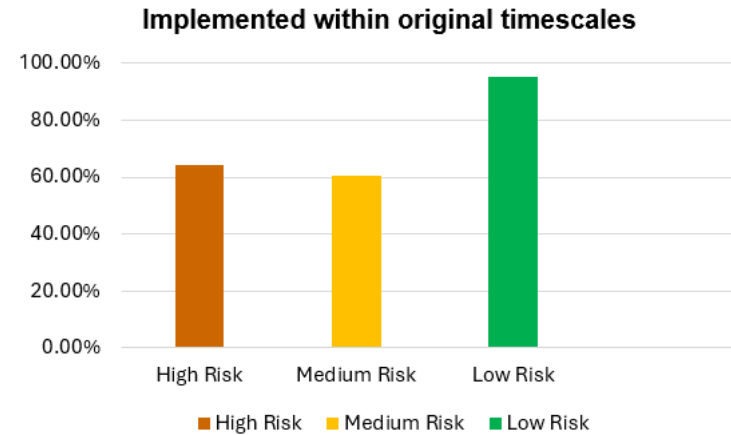
20 Follow-ups completed

150 Actions Followed Up

42 High risk

86 Medium risk

22 Low risk



**67% Implemented within
Original Timescales**

9b. Follow-up Work 2024-25 - Summary

Audit	Agreed Actions			Actions Implemented at Follow-up		
	H	M	L	H	M	L
♦ Capital Programme	0	2	0	0	1	0
♦ Medium Term Financial Strategy		3	3			3
♦ Accounts Receivable	0	7	2	0	7	2
♦ Accounts Payable	3	5	4	3	3	4
♦ Payroll	4	2	0	4	2	0
♦ NEC Northgate (Housing Benefits)	3	4	0	1	0	0
♦ Financial Planning, Monitoring and Sustainability – DSG High Needs Block and School Balances	1	3	1	1	3	1
♦ Family Wellbeing Centres	0	6	1	0	4	1
♦ Licensing	1	3	0	0	1	0
♦ Better Care Fund	4	11	0	1	4	0
♦ Private Sector Property Licenses	0	1	6	0	1	6
♦ No recourse to public funds and intentionally homeless	0	2	1	0	0	0
♦ Nursery Education Grant2 Overpayment	1	2	0	1	2	0
♦ Information Governance – Data Breaches	0	0	1	0	0	1
♦ ASC Supported Living	9	5	3	5	0	3
♦ Pension Fund	0	1	0	0	1	0
♦ Cyber (3rd party risk)	7	11	0	4	7	0
♦ IT Disaster Recovery	2	12	0	2	11	0
♦ Planning Enforcement	0	2	0	0	2	0
♦ Brent Music School	7	4	0	5	3	0

Total Actions Followed-up 150 Total Actions Implemented 100

Rate of Implementation

High – 64%

Medium – 61%

Low – 95%

9c. Overdue Actions

Audit	Actions Overdue		
	H	M	L
Medium Term Financial Strategy		3	
Accounts Payable		2	
NEC Northgate (Housing Benefits)		4	
Family Wellbeing Centres		2	
Licensing	1	2	
Better Care Fund		7	
ASC Supported Living	2	5	
Cyber (3rd party risk)	1	4	
IT Disaster Recovery		1	
Total	4	30	

10. Head of Internal Audit Opinion - 2024-25

The Head of Internal Audit (HIA) is required to provide an annual opinion and report that can be used by the Council to inform its governance statement. The relevant standards require that the annual opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. In addition, CIPFA's guidance on the *'Role of the Head of Internal Audit in Public Service Organisations'* requires that the Head of Internal Audit's overall opinion is objective and supported by sufficient, reliable, relevant, and useful information and evidence.

The HIA opinion in relation to the financial year 2024-25 is **Reasonable Assurance**:

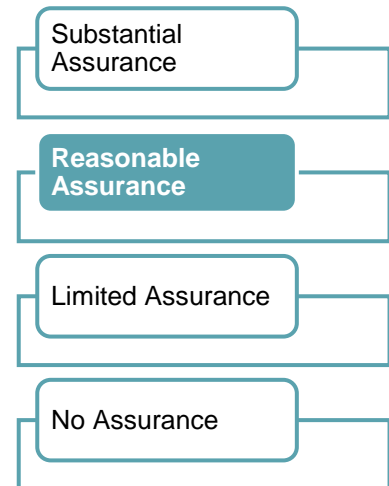
"The adequacy and effectiveness of the overall arrangements for the Council's systems of internal control, risk management and governance are adequate, with some improvement required."

Scope

The HIA opinion is primarily supported and underpinned by the work carried out by the Internal Audit function in 2024-25, as set out and described within the sections above. This programme of work, in particular the *core assurance* plan was agreed with CMT and the Audit and Standards Advisory Committee in March 2024. The opinion is also provided for consideration in preparing the Council's Annual Governance Statement for 2024-25, which will be published alongside the Council's financial statements for the year ended 31 March 2025.

In considering the HIA opinion, the following limitations should be recognised:

- ♦ the plan does not purport to address all risks facing the Council, and instead represents a deployment of limited audit resource. The Council Management Team and the Audit and Standards Advisory Committee acknowledged these limits in approving the plan;
- ♦ Assurance can never be absolute and neither can internal audit work be designed to identify or address all weaknesses that might exist;



- ♦ The responsibility for maintaining adequate and appropriate systems of internal control resides with management, and not Internal Audit.

Reliance on work undertaken

In 2024-25, Internal Audit adopted a revised methodology that moved away from the traditional, rigid 'annual plan' approach. This approach has enabled Internal Audit to strike the right balance between providing a robust level of assurance over the Council's core/key systems and controls (core assurance), while also being more adaptive and flexible to emerging risks and issues (risk-based plan). The work undertaken by Internal Audit in 2024-25 was closely aligned to the Council's Strategic Risk Register and corporate priorities. In addition, Internal Audit maintained a live, independent risk assessment and regularly consulted with senior management to identify significant risks and to gain an understanding of the Council's assurance needs. As a result, the audits undertaken in 2024-25 focussed on areas with a high assurance requirement.

The work undertaken in-year has also been delivered by a skilled and experienced in-house team, supported and complemented by a co-sourced provider, PwC, who provide access to skills, expertise and specialisms, including IT audit.

As reported in Section 2 of this report, there have been no actual or perceived risks, threats or impairments to the independence or objectivity of Internal Audit.

Basis of opinion

The HIA opinion is primarily supported and underpinned by the wider contents of this report. A total of 51 reviews have been delivered in-year by Internal Audit. 13 of these reviews were undertaken as part of the core assurance plan, with 9 moderate assurance and 4 limited assurance opinions provided. Notably, 8 moderate assurance opinions were provided across the Key Financial Systems and IT audits undertaken in-year; with the four limited assurance opinions provided across areas identified as having a high level of inherent risk.

No critical risk issues/concerns were identified or reported in the work undertaken in 2024-25. 39 high-risk issues have been raised within individual audit reviews, which is an increase of 13 from 2023-24 however, in the main, where weaknesses were identified during individual audits, these were not considered to be significant, in aggregate, to the Council's overall governance arrangements and system of internal control.

A number of pieces of unplanned/additional work was also undertaken at the request of management. This demonstrates a willingness on the part of management to proactively seek Internal Audit advice in relation to the improvement of controls and risk management, outside the delivery of the audit plan.

Internal Audit has also continued to closely and robustly monitor management's implementation of recommendations and actions arising from audit reviews, with each audit subject to a thorough follow-up review. The HIA opinion for 2023-24 identified an area for improvement relating to the rate of implementation of audit actions within original target dates, with the rate of implementation falling to 46% (from 68% in 2022-23). It is pleasing to note that there has been a marked improvement in the rate of implementation within 2024-25, with 67% of actions found to have been implemented within original target dates. In addition, the rate of High risk actions implemented within original target dates has also risen from 48% in 2023-24 to 64% in 2024-25. There has also continued to a clear tone-from-the-top at a corporate level to actively review and scrutinise the outcomes of internal audit work, with a particular focus and emphasis placed on follow-up outcomes. While this is pleasing and positive progress, further effort is needed to further increase the rate of implementation, within original target dates, to the target of 75%, and this issue has been re-raised as an area of improvement.

At the time of preparing this opinion, there were 34 actions (4 High, 30 medium) identified as 'overdue' – i.e. actions that have not been implemented within both original and revised target dates. It should however be noted that management continue to liaise with Internal Audit to ensure these actions are closed as quickly as possible. Furthermore, it is the view of the Head of Internal Audit that these outstanding issues are not considered to be significant, in aggregate, to the Council's overall governance arrangements and system of internal control.

Other considerations and sources of assurance

In providing the Head of Internal Audit opinion for 2024-25, the following sources of assurance have also been considered:

1) Corporate Peer Challenge

The Council took part in an LGA Corporate Peer Challenge (CPC) exercise in-year. The CPC is a highly valued improvement and assurance tool that involved a team of senior local government members and officers undertaking a desktop review of key finance, performance and governance information, who then subsequently spent four days on site to provide robust, strategic and credible challenge and support. The CPC concluded that Brent is a well-performing council, underpinned by sound financial stewardship, with a positive organisational culture and a good track record of delivery across key service areas. In respect of Governance, the peer team found evidence of strong governance across the organisation with robust audit arrangements.

2) External Audit

The Council's statement of accounts for 2023-24 was finalised and published on the Council's website on 28 February 2025. The final Audit Findings Report was issued by Grant Thornton with an unqualified audit opinion. In addition, the Auditor's Annual Report for the year ended 31 March 2024 raised no significant weaknesses in the Council's governance arrangements. One significant weakness was raised in respect of the use of £13.5m reserves to balance the 2023-24 budget, and ensuring the Council's does not continue to use its reserves to meet unplanned expenditure. This is addressed further in the sections below.

3) Procurement Peer Review

A peer review of the Council's procurement arrangements was initiated due to senior management concerns about the service, feedback received from directorates and from a Limited Assurance internal audit report. The review took place in the context of significant external changes such as the implementation of the Procurement Act in February 2025, the Council's change programme and Grant Thornton's Audit Findings Report dated Feb 2025. The resulting report outlined a Procurement Improvement Plan and the associated governance, structure and budget arrangements required to achieve the improvements.

4) Work of the Counter Fraud and Investigations function

The Counter Fraud and Investigations function has delivered a programme of reactive and proactive work in 2024-25. The Head of Internal Audit has considered the findings and outcomes across all of the Counter Fraud activity in reaching the annual opinion for 2024-25.

5) Other Considerations

- i. *Delivering Good Governance in Local Government* - The HIA is satisfied that the Council's framework of governance for the year ended 31 March 2025 complies in all material respects with guidance on proper practices as set out the CIPFA/SOLACE publication "Delivering Good Governance in Local Government (2016)". The Council is also actively taking steps to address the new guidance from CIPFA and Solace on the annual review of governance and internal controls, and the preparation of the Annual Governance Statement (Addendum to the Delivering Good Governance in Local Governance framework).
- ii. *Risk Management* - The Council's risk awareness and risk culture has continued to improve in 2024-25. Overall, there is a good awareness of the Council's risk management framework and strategic risks, although further work is necessary to enhance the quality and completeness of risk registers at a departmental and service level.

- iii. The role of both the Assurance Board and Budget Assurance Panel, which were set up in 2023, and how these boards have continued to contribute to improving the effectiveness of the robustness and effectiveness of the Council’s governance, risk and internal control environment by receiving reports on a range of governance, assurance and financial management related matters in-year.

Areas for Improvement

In determining the opinion, the HIA has considered any key themes or issues emanating from audit work undertaken in 2024-25, and/or any areas where enhancements can be made to the Council’s governance, risk management and internal control frameworks. The following observations are made:

1. Implementation of audit recommendations/actions

The HIA opinion for 2023-24 identified an area for improvement relating to the rate of implementation of audit actions within original target dates, with the rate of implementation falling to 46% (from 68% in 2023-24). This issue was also identified and reported by both External Audit and the Corporate Peer Challenge. The Council included an action within the 2023-24 Annual Governance Statement relating to improving the rate of implementation. As reported above, there has been improvement in the rate of implementation within 2024-25, with 67% of actions found to have been implemented within original target dates. Notably, the implementation rate for high-risk actions also increased, rising from 48% in 2023–24 to 64% in 2024–25. While this represents positive progress, further work is required to reach the Council’s target of 75%. As such, this issue remains a priority area for improvement.

Internal Audit has observed that the monitoring and implementation of audit actions are largely driven at the corporate level by Corporate Directors and their Directorate Leadership Teams. To sustain and accelerate progress, there is a continued need to strengthen ownership and accountability for audit actions at the operational level.

Implementation of audit actions within agreed timescales								
Previous Year - 2023-234					Current Year – 2024-25			
	H	M	L	Total	H	M	L	Total
Total Actions	23	122	18	163	42	86	22	150
Rate of Implementation	11 (48%)	54 (44%)	10 (56%)	75 (46%)	27 (64%)	52 (61%)	21 (95%)	100 (67%)

2. Gaps in 'second line' responsibilities (oversight)

The Head of Internal Audit (HIA) has previously reported that where weaknesses in the Council's governance, risk management, and control framework were identified, they were typically found within the Council's second line of defence—rather than in the operational effectiveness of controls themselves. The first line refers to service delivery and the application of internal controls to manage associated risks. The second line encompasses oversight functions, including the monitoring, reporting, and challenge of first-line activities. The third line is the independent assurance provided by Internal Audit.

Although the Council has made several improvements to its monitoring and reporting arrangements in recent years, the second line remains an area of concern. Internal Audit continues to identify gaps in oversight, particularly at the directorate and departmental levels. This recurring theme has been highlighted in several audits, including the Health and Safety Compliance (FLAGE) and Performance Management reviews.

Given the increasing complexity and scale of risks facing the Council, it is now more critical than ever to ensure that oversight arrangements are not only in place but are consistently effective, timely, and embedded across all levels of the organisation. Robust second-line arrangements must ensure that the right risks are being monitored, the right information is being reported, and the right actions are being taken—at the right time—to protect the Council and its residents.

3. Housing compliance

Closely following on from the above point regarding second line gaps, in May 2025, the Council voluntarily referred itself to the Housing Regulator regarding its previous approach to managing building risk assessment actions. The self-referral highlighted that within the last year, around 12,500 actions arising from fire risk assessments had been closed. Following a spot check, LB Brent identified that where actions had been closed, evidence of the completion of the actions was not available in all instances and that some actions had not been completed at all. While the Council confirmed that necessary checks had been completed across its estates, weaknesses in the follow-up and management of resulting actions were identified. This risk/issue was previously highlighted by Internal Audit in earlier reviews of housing compliance, most recently in January 2024, though it is acknowledged that there have been a number of contributing factors that have led to this issue re-emerging.

Through engagement with the Council, the regulator found serious failings in its ability to meet the necessary requirements and that these failings have negatively affected service outcomes for tenants. While this matter is being addressed via the regulator and an improvement plan, Internal Audit will be monitoring progress against this issue very closely in 2025-26.

4. Financial Sustainability Arrangements

The Council's External Auditors, Grant Thornton, identified a significant weakness in their Annual Report for the year ending 31 March, relating to the Council's financial sustainability. This concern stemmed from the use of £13.5 million in reserves to balance the 2023–24 budget, alongside a projected overspend of approximately £14 million for 2024–25. Grant Thornton issued a key recommendation, urging the Council to take urgent and difficult decisions to ensure a realistic and deliverable budget for 2025–26—without further reliance on reserves. While the cumulative financial pressure of around £30 million over two years is substantial, the auditors acknowledged that the Council has been actively managing these challenges through in-year mitigations and the strategic use of reserves.

In addition, the Corporate Peer Challenge made several recommendations to strengthen the Council's financial management:

- **Medium Term Financial Strategy (MTFS):** The Council should develop a five-year MTFS aligned with its corporate priorities and transformation programme, ensuring organisation-wide ownership and integration of financial benefits from planned changes.
- **Reserves:** The Council must prioritise restoring General Fund and Housing Revenue Account (HRA) reserves to sustainable levels. This should be supported by clear internal communication on the reserves position, including the ringfencing of Community Infrastructure Levy (CIL) and capital reserves, and exploring strategic use of these reserves to support the revenue position.
- **Financial Processes and Organisational Grip:** The Council should enhance its financial processes to improve income generation, productivity, and efficiency. This includes strengthening debt recovery, council tax collection, procurement, and business case development, as well as undertaking cost benchmarking.

It is important to note that the Council's financial pressures have primarily arisen from increased demand in Housing Services—particularly due to rising homelessness and a shortage of suitable temporary accommodation—rather than from poor financial management. The Corporate Peer Challenge recognised this, stating that *“Brent has a strong record of financial stewardship, demonstrated through the successful delivery of savings and effective financial controls.”* This is further supported by the 2024–25 Internal Audit reviews of the Council's four key financial systems, all of which received moderate assurance with no high-risk findings.

Furthermore, Internal Audit completed a Financial Resilience and Sustainability Consultancy/Advisory review in-year. The overarching aim was to evaluate the Council's ability to maintain robust financial health in a volatile environment. The review comprised two parts: a self-assessment by the Finance team against CIPFA criteria and a workshop to validate and refine those insights. This advisory

report, offered key findings and suggested areas for consideration, including examples of best practice from across the local government sector.

While no formal improvement action is being raised, the Head of Internal Audit recommends that the Council places continued emphasis on the recommendations made by External Audit and the Corporate Peer Challenge. This will help ensure the Council maintains its strong track record of financial stewardship and continues to deliver sustainable savings.

Conclusion

In summary, the Head of Internal Audit is satisfied that the work undertaken by Internal Audit during 2024-25, as well as wider governance arrangements, has enabled an opinion to be formed on the Council's control framework, risk management and governance arrangements. Internal Audit will continue to monitor the issues identified above and, where relevant, will provide support and guidance to help aid improvements.

11. Quality Assurance and Improvement Programme

The Head of Internal Audit is responsible for the internal audit function's conformance with the Global Internal Audit Standards (GIAS) and continuous performance improvement. This includes implementing and maintaining a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit function.

The QAIP covers all external and internal assessments of the internal audit function's conformance with the GIAS, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The programme also assesses compliance with laws and/or regulations relevant to internal auditing. Where applicable, the QAIP also includes plans to address the internal audit function's deficiencies and opportunities for improvement.

External Assessments

The GIAS require an external quality assessment (EQA) be undertaken at least every five years. As reported to the Audit and Standards Advisory Committee in February 2023, a review of Internal Audit's performance at the London Borough of Brent was undertaken in January 2023. The next EQA will be due in 2028.

The assessment found that the Internal Audit Service *Generally Conforms* with the PSIAS, which is the highest available level of assessment for local authorities.

Overall, the assessors commented that Internal Audit is a well led, professional and respected service that adds value and provides evidence based, reliable assurance over the Council's governance, risk management and internal controls. The full report can be seen [here](#).

Internal Assessments

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.

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.

Other periodic assessments include (but are not limited to):

- annual self-assessments to ensure conformance with the GIAS;
- regular feedback from senior management and CMT;
- benchmarking with other London Borough internal audit services, via the Cross Council Assurance Service and London Audit Group.

In summary, the Head of Internal Audit is confident that the Internal Audit function has continued to comply and conform with the GIAS during 2024-25.

Key Performance Indicators

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 for 2024-25 are set out in the table below:

KPI	Target	Achievement	Comments
KPI1 - Activity	100 % of Core Assurance Plan completed across the 3-year cycle	● Met	100% of core assurance plan met for 2024-25
KPI2 - Activity	100 % of strategic risks/ key inherent risks covered across 3-year cycle	● On-track	9 audits undertaken in 2024-25 that provide either direct or indirect assurance against the Council's strategic/inherent risks. <ul style="list-style-type: none"> - Procurement - Health and Safety Compliance - STS Procurement - IT Application x2 - Social Housing (Regulation) Act – inspection preparedness (ASB) - Public Health Contract Management - Temporary Accommodation - Financial Resilience and Sustainability (advisory)
KPI3 - Delivery	Timeliness in raising issues with Management - end of fieldwork to closing meeting <10 working days.	● Met	Target met for all audits completed in 24-25.
KPI4 - Delivery	100 % of acceptance to audit recommendations	● Met	100% of actions accepted
KPI5 – Follow-up	100 % of Critical and High-risk actions followed-up within 1 month of due date	● Met	Target met. The follow-up of all high risk actions initiated within 1 month of due date.
KPI6 – Follow-up	75% of audit actions implemented within original timescales.	● Partially Met	67% of actions implemented within original timescales
KPI7 – Quality	100% of audit satisfaction surveys rated as 'good or better'	● Met	3 forms returned. 100% rated as good or above.
KPI8 - Quality	Conformance to the Public Sector Internal Audit Standards	● Met	No conformance issues experienced in 2024-25. The new Global Internal Audit Standards were adopted and implemented prior to the go live date of January 2025.