



**Audit and Standards Advisory
Committee**
16 June 2025

**Report from the Chair & Vice Chair
of the Audit & Standards Advisory
Committee**

**Annual Report of the Chairs of the Audit and Standards
Committee and Audit and Standards Advisory Committee**

Wards Affected:	All
Key or Non-Key Decision:	Not Applicable
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	None
Background Papers:	None
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1. Executive Summary

- 1.1 This is the third annual report of the Audit and Standards (A&S), and the Audit and Standards Advisory (A&SA) Committees.
- 1.2 This report seeks to meet the requirements and principles as set out within CIPFA's Position Statement regarding Audit Committees ('Practical Guidance for Local Authorities and Police).
- 1.3 This report covers the work of the two Committees for the municipal year 2024-25. It has been prepared independently by the Chairs' of the A&S and A&SA Committees.

2. Recommendation

- 2.1. The Committee is asked to note the contents of the report, ahead of this being presented to Full Council on 7 July 2025.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

- 3.1.1 The Council's Audit and Standards Advisory Committee (ASAC) and the Audit and Standards Committee (ASC) play an important role in ensuring the good governance of the Council. The committees are a key component of the Council's governance framework. They contribute to the overall success of the Council by providing an independent and high-level focus on the adequacy of governance, risk and control arrangements to provide assurance and confidence to those charged with governance.
- 3.1.2 The ASAC is responsible for considering and advising the relevant council bodies on various governance matters relating to audit activity, the council's regulatory framework, and members' standards of conduct. The ASC is responsible for various governance matters including reviewing and approving the Annual Statement of Accounts, adopting the council's Annual Governance Statement and promoting high standards of conduct by members and co-opted members.

3.2 Introduction

- 3.2.1 The Audit and Standards Advisory Committee met eight times within the municipal year, and the Audit and Standards Committee met four times. During the year the Committees covered a large amount of work, often with very short notice which in view of some members has been in excess of the time available. Much of the work of the Committees has again highlighted the high and increasing – if often well-managed – level of risk being faced by the Council, in common with all other authorities.
- 3.2.2 As we stated last year the importance of the work of the Committees continues to grow. The pressures on local authority finances, and details of the failures of governance and financial control at other authorities has not only become increasingly clearer, and has highlighted the fundamental problems with the current local government funding and audit systems.

3.3 Overview

- 3.3.1 2024-25 continued to be a very active year, and one which it is again difficult to summarise; however, the key points that have come through from the matters consider by the Committees are as follows:
- a. Brent is still in a relatively good position with regard to financial sustainability, with an adequate levels of reserves, but again did not bringing in expenditure within the budget. Brent was, however, one of the authorities to have the external audit of its accounts signed off before the backstop date.

- b. Further a number of arising issues which may lead to future problems for the Council:
 - i. Due to the pressures on Council services the level of expenditure has and is likely to continue to rise above the base line and pointed out Grant Thornton's annual (Value for Money) report with its **key** recommendation for action; and
 - ii. The level of external debt and hence the interest payments are due to the level of capital expenditure rising, which may be becoming an issue with higher interest rates looking like they will remain for some time.
- c. In terms of Governance, Brent also has sound arrangements in place, as confirmed by both the External Auditor's Value for Money report for 2023-24 (with the exception of the findings concerning Financial Stability) and Head of internal Auditor's report and opinion issued in June 2024. However, there are a number of areas requiring attention particularly:
 - i. The continuing need to address the 'second line' of defence (i.e. the monitoring and reporting of information and data, by management, in respect of the effectiveness of the 'first line' of defence), which although some improvement has been noted still require additional improvement;
 - ii. Implementation of internal audit recommendations/actions. In 2022-23 the HIA opinion identified as an area for improvement in relation to the implementation of audit actions, to ensure that the risks identified from internal audit work are appropriately mitigated. The rate of implementation of audit actions had fallen in 2023-24, this is an area which clearly needs to be addressed;
 - iii. The need to address the fact that policies and procedures are sometimes absent or outdated, and as such, roles and responsibilities are not always clearly defined and outlined, a point also identified in the Value for Money report;
 - iv. The need to review procedures where staff reductions may have weakened existing procures or controls;
 - v. The need to keep under review the governance arrangements for all the subsidiary companies;
 - vi. The continuing need to strengthen the oversight of contract and procurement management; and
 - vii. The continuing need for the A&SA Committees to review and improve its own performance, to further improve the Council's risk management.

3.4 Standards Matters

- 3.4.1 Although as we stated in previous years, though Standards matters are not covered by the CIPFA Statement, this is one of the Committees' key roles, and one which is taken very seriously.
- 3.4.2 During the year the Committees considered a number Standards issues including Complaints against Members, oversight of Gifts and Hospitality, as well as Member Training and attendance.

3.5 Audit Matters

- 3.5.1 The Audit and Standards Advisory Committee has continued to be well served by the Internal Audit and Investigation staff and have received regular updates on the progress of risk-based audits being undertaken during 2024-25.
- 3.5.2 2024-25 was the first year of the new procedure for planning the use of internal audit resources, partly designed to implement the new Global Internal Audit Standards due to come into force from January 2025. Details of the new procedure is set out in 3.5.6(b) below.
- 3.5.3 The audits planned to be delivered during 2024-25, included the following, all of which were risk based and linked to the Council's risks and priorities:
- Four key financial systems audits (with proposals for all key systems to be audited in three years);
 - Three IT/cyber security related audits;
 - Five core systems audits;
 - 10 audits based on a risk assessment.
- 3.5.4 The plan also made provision for advisory work and follow up activities on previous recommendations as well as certification work.
- (The above is as reported in the Internal Audit Interim Report for 2024-25 considered by the A&SA Committee in December 2024.)
- 3.5.5 The Annual Counter Fraud Plan for 2024/25 was considered at the June 2024 meeting, with the Committee updated by an interim progress report in December 2024.
- 3.5.6 The Committees also considered a large number of items with the most significant being as follows:
- a. In June, the Head of Internal Audit's Annual Report for 2023-24.

(It should be noted that the A&SA Committee will be considering the Head of Internal Audit's Annual Report for 2024-25 at its June meeting which renders the following somewhat historic in nature but it is included for the record, particular as we believe a number of the same issues are likely to be raised again.)

The 2023-24 report concluded that:

“The overall arrangements for the Council’s systems of internal control, risk management and governance are sound. Any improvement or enhancement recommended relates to best practice only.”

However, in addition the following observations were noted:

In 2022-23 the HIA opinion identified an area for improvement in 2023-24 was in relation to the implementation of audit actions to ensure that the risks identified and emanating from internal audit work are appropriately mitigated.

As shown in the table below, the rate of implementation of audit actions has fallen in 2023-24:

	Implementation of audit actions within agreed timescales							
	Previous Year - 2022-23				Current Year - 2023-24			
	H	M	L	Total	H	M	L	Total
Total Actions	41	100	32	173	23	122	18	163
Implemented	32 (78%)	69 (69%)	17 (53%)	118 (68%)	11 (48%)	54 (44%)	10 (56%)	75 (46%)
Partially Implemented	7 (17%)	27 (27%)	14 (44%)	48 (28%)	8 (35%)	34 (28%)	3 (16%)	45 (28%)
Not Implemented	2 (5%)	4 (4%)	1 (3%)	7 (4%)	4 (17%)	34 (28%)	5 (28%)	43 (26%)

Whilst there are a number of caveats and limitations in comparing the implementation of actions from year-to-year, as shown in the table above the rate of implementation of all audit actions (high, medium and low risk combined) within originally agreed timescales has fallen significantly from 68% to 46%. Furthermore, the rate of implementation of high risk actions has also fallen from 78% in 2022-23 to 48% in 2023-24.

The level of audit actions not implemented within original timescales has also significantly increased (in 2023/24) in terms of both a number and percentage of total actions, with 43 (26%) actions not implemented in-year compared to 7 (4%) in 2022-23. It is acknowledged that things can

happen that may prevent actions from being implemented within original timescales, and it is accepted that some slippage will occur. However, this does not explain this level of increase in non-implementation and it must therefore be attributable to a number of other factors, including the importance that is placed on implementing audit actions at an operational level. This view is further reinforced by the fact that as at 30th April 2024, only 15 actions are classified as overdue (actions not implemented past their revised target dates), which suggests that in some instances, actions are only implemented once details of non-implementation are reported to and scrutinised at a corporate level.

It is the view of the HIA that this is an area where improvement is required within 2024-25

Second line' gaps in control

The HIA has previously reported that where *gaps* in control were identified by Internal Audit (as opposed to the effectiveness of the operation of controls), these were generally found to be in relation to the Council's 'second line' (of defence). In brief, the 'first line' is the provision of services and the application of an internal control framework to manage associated risks; and 'second line' responsibilities include the monitoring, reporting and challenge of the effectiveness of 'first line' functions. The 'third line' is the independent and objective assurance provided by Internal Audit.

In work carried out during 2023-24, Internal Audit noted that there have been a number of enhancements to the Council's monitoring, reporting and challenge of first line controls at a corporate level. For example, the implementation of the new performance management framework and balanced score card approach, and the broadening of the scope of the Brent Assurance Board.

Despite these improvements, Internal Audit has continued to identify 'second line' gaps at departmental and operational levels. Internal Audit continues to report these gaps as part of routine updates brought to CMT and the Audit and Standards Advisory Committee.

The above relates to the 2023-24 report and members are encouraged to read the 2024-25 report.

- b. A report covering the Draft Internal Audit Strategic for 2024-27 and Plan for 2025-26, the key details of which are set out below.

The report identified the available resource for the Internal Audit function for 2025-26 as comprises an estimate of **700 days**, which is anticipated to be spread across the following areas:

Area	Days (approx.)	%
Core assurance	200	28%
Agile, risk-based Work	320	46%
Consultancy and advice	50	7%
Follow-up	130	19%

It also stated that the Internal Audit function continues to operate a co-sourced model, with a portion of the plan (approx. 200 days) delivered by our co-sourced partner, PwC.

With these resources the proposed audits for 2025-26, includes the following, all of which are risk based and linked to the Council's risks and priorities:

- Five key financial systems audits (with proposals for all key systems to be audited in three years);
- Seven core systems (Inherent Risk) audits, including cyber security and schools reviews;
- Eight risk based audits to be delivered in the first half of the year, together with three audit in progress from 2024/25.

The plan also makes provision for advisory work and follow up activities on previous recommendations as well as certification work.

- c. The Audit and Standards Advisory Committee continued to receive updates on the work of the Council's external auditors Grant Thornton, (the audit of the 2023-24 accounts is considered in the Accounts section below). The key item considered was the Annual Value for Money report, which gave an independent review of the state of the Council's governance. The report was also considered at the Full Council meeting in February 2025.

The report was less positive than in 2022/23, with the overall finding being for two areas (Governance and Improving the three "e") reviewed being: "No significant weaknesses in arrangements identified, but improvement recommendation made." In both cases the direction of travel was found to be stable, but not improving.

However, for the third area Financial Stainability the finding was "significant weakness in arrangements identified and key recommendations made". The weakness was in respect of ensuring the council does not continue its use of reserves to meet unplanned expenditure with the following key recommendation made.

"The Council needs to take the difficult decisions needed to ensure that a realistic budget can be set for 2025-26 and that this can be delivered

without the need to further draw on reserves. It must be aware of the significant financial sustainability risk posed by the savings required in the medium term to deliver a balanced budget for 2025-26.

- d. In the past few months, the Ministry for Housing, Communities and Local Government confirmed a significant overhaul of the local audit system, introducing 16 measures designed to tackle the ongoing backlog and restore accountability across the sector. This follows a year in which just 1% of local public bodies filed audited accounts by the statutory deadline. These are likely to have a significant effect on the Council and the A&SA Committee with monitor them.

3.6 Regulatory Framework

3.6.1 The Committees continued to oversee a number of areas concerning the regulatory framework, including reviewing the use of RIPA powers by the Council.

3.6.2 The Audit and Standards Advisory Committee has continued to be deeply involved in the work of improving the Council's risk management structure, and the strategic Risk Management process. There have been major improvements in the strategic process over the last couple of years, which is now clearly linked to the Council's priorities, and considers a wider range of risks. However, concerns still remain over the risk management at departmental level, and the Chairs have continued liaising with the Chairs of the Scrutiny Committees over how to improve oversight of this area where there is overlap in roles. An area of particular concern during the year was cyber security.

3.6.3 The A&SA Committee also considered a report on the Council's Emergency Planning & Resilience arrangements, following an external review of this function undertaken in October 2023. The committee reviewed the action plan for improvements following this review and will be monitoring progress in this key area of the Council's duties.

3.6.4 The Committees also reviews the Annual Governance Statement, which is an important document as it set out the views of the Council's leadership and senior management on the state of the Council's governance. Although concluding that no significant governance issues have been identified, the covering report included the following areas identified for improvement for 2024/25:

- Better use of the Member Hub to ensure that Members are regularly kept up to date with developments and have easy access to necessary documents stored in one central place.
- Quarterly monitoring and reporting of reports (to Council) that are submitted after the given deadline.
- To further enhance our approach to risk management by assigning clear roles and responsibilities for the implementation of mitigating actions,

scrutinising mitigating actions to ensure they have had the anticipated impact, and transparently reporting on where mitigating actions have been both successful and unsuccessful.

- Development of a programme of coaching, mentoring and leadership development with a focus on EDI to support the EDI strategy.
- Embed new performance framework and balanced scorecard approach at corporate and directorate level.

The report also reported on the progress on the 2023/24 recommendations.

- 3.6.5 An area which has taken up a lot, but now significantly reduced amount of the Audit and Standards Advisory Committee's time was the oversight of i4B and First Wave Housing. With the overlap of responsibilities between the Audit and Standards Advisory Committee and the Scrutiny Committees at least partially resolved with the Audit and Standards Advisory Committee now concentrating on the council's overview, supervision and overall governance of Companies, which has both reduced the workload and clarified the roles.
- 3.6.6 The Audit and Standards Advisory Committee also considered a number of reports most of which were also considered by Full Council on the Council's Treasury Management. The very detailed reports show the clear and careful planning and execution of the Council's Capital and Treasurer Management.
- 3.6.7 However, the Committee did again raise concerns about the level of borrowing being planned by the Council, particularly in view of the continuing high level of interest rates. Although there is nothing to suggest this will be a problem in the short term, it is something the Council should keep under review.

3.7 Statement of Accounts

- 3.7.1 The oversight of the Council's accounts is one of the key functions of both Committees. Brent has a proud record of having its accounts fully audited and signed off by the statutory publication date, which for the 2023-24 account was 30th September 2024. However, although the accounts appeared ready and the audit was substantially complete by that date, a number of significant issues, primarily concerning the valuation of the Council's assets, resulted in the audit not being signed off at that time. (It should be noted that under 1% of audits were completed on time). Continued issues with asset valuations, and some other matters resulted in the accounts not being signed off until 28th February 2025, which was before the Backstop date. This at least meant the Council's accounts were not disclaimed by the auditors as happened with a significant number of authorities. (It should be noted that the Pension Fund accounts could properly have been signed by 30th September).
- 3.7.2 The Committees are clear that work is being undertaken to try and improve the performance in this area.

3.8 Review of the effectiveness of the Committees

- 3.8.1 The Committees are well placed, with the Audit and Standards Advisory Committee independently chaired, and both Committees now having the support of two independent, Standards-focused members, both of whom bring considerable experience. The Audit and Standards Advisory Committee has also received very valuable support from the departed Independent Advisor, and are pleased that a new audit focused independent member, with considerable relevant experience, has been appointed.
- 3.8.2 The two Committees have again been required to consider a large number of issues over the last year. This has resulted with some agendas being packed, and some members feeling strongly that they are overloaded. Furthermore, the need for additional training for members has been identified, and is being planned.
- 3.8.3 To help overcome this and generally improve the performance of the work of the Committees, a self-assessment was undertaken at the end of 2024-25, the results of which are being considered and it is planned to report these to the July meeting of the Audit & Standards Advisory Committee.

3.9 Conclusion

- 3.9.1 We should like to thank the members of the two Committees, and the Independent Co-opted Members and Independent Persons for all their support and assistants.
- 3.9.2 We should also like to express our gratitude to all the Council officers who have so diligently supported the Committees. These include particularly the Governance Officers who have supported us with the very heavy workload, the Deputy Director Organisational Assurance and Resilience (Head of Internal Audit) and Audit and Investigation staff as well as the officers from the Finance and Legal Services.

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 The report is for noting and there are no direct legal implications.

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.