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|  <p>Brent</p> | <p align="center">Audit and Standards Advisory Committee 24th March 2026</p> |
| | <p align="center">Report from the Corporate Director of Finance and Resources</p> |
| | <p align="center">Lead Cabinet Member - Deputy Leader and Cabinet Member for Finance & Resources (Councillor Mili Patel)</p> |
| <p>Internal Audit Plan 2026-27 and Internal Audit Strategy 2024-27 Year 2 Review</p> | |

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| Wards Affected: | All |
| Key or Non-Key Decision: | Non-Key |
| 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 Plan 2026-27 Appendix 2: Internal Audit Strategy 2024-2027 Year 2 Review |
| Background Papers: | None |
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1.0 Executive Summary

- 1.1 This report presents the proposed Internal Audit Plan for 2026-27, which is attached at *Appendix 1*.
- 1.2. The Plan has been developed in alignment with the Global Internal Audit Standards. It is designed to support the Council's objectives, based on a thorough assessment of the Council's strategies, objectives, and risks. Additionally, the Plan incorporates insights from senior management and leverages Internal Audit's understanding and knowledge of the Council's governance, risk management, and control processes.
- 1.3 In 2024-25, Internal Audit adopted a revised methodology that moved away from the traditional, rigid 'annual plan' approach. Due to its success, this

methodology has been retained for subsequent years. This aligns with the objectives outlined in the Internal Audit Strategy 2024-2027, which aims to implement a more agile and enhanced risk-based approach to planning and delivery, while also continuing to provide a robust programme of core assurance.

- 1.4 The report also includes an assessment of the progress made at the end of Year 2 towards achieving the objectives outlined in the Internal Audit Strategy 2024-27, which was approved by the CMT and the Audit and Standards Advisory Committee in March 2024. This review and assessment are detailed in Appendix 2.

2.0 Recommendations

- 2.1 The Committee is asked to:

- a) Consider and note the Internal Audit Plan for 2026-27
- b) Note the Internal Audit Strategy 2024-2027 Year 2 Review

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 Council has a duty to maintain an adequate and effective Internal Audit function. In exercising its duties, the Internal Audit function should seek to:

- 1) provide assurance to the Chief Executive, S151 Officer, senior management, the Audit and Standards Advisory Committee and other key stakeholders

that the Council has effective arrangements in place to deliver its strategic objectives and manage key risks;

- 2) meet the statutory responsibility to arrange for the continuous, independent internal audit of the Council;
- 3) meet the requirements of professional internal audit standards in order that the Head of Internal Audit is able to deliver an annual opinion on the Council's arrangements for governance, risk management and control; and
- 4) maximise the use and deployment of resources.

3.2.2 The Global Internal Audit Standards, in conjunction with the Application Note issued by the Relevant Internal Audit Standard Setters, set out the basis for the practice of internal auditing in the UK public sector.

3.2.3 The following Standards and Principles set out how the Head of Internal Audit must compile the Internal Audit Plan:

- **Standard 9.4 Internal Audit Plan**

This requires that the internal audit plan be based on a documented assessment of the organisation's strategies, objectives, and risks. This assessment must be informed by the Head of Internal Audit's understanding of the organisation's governance, risk management, and control processes. Additionally, the assessment must be performed at least annually to ensure its relevance and effectiveness.

The Standard is also very clear and prescriptive in terms of what the Internal Audit Plan *must* do:

- Consider the internal audit mandate and the full range of agreed-upon internal audit services.
- Specify services that support the evaluation and improvement of the organisation's governance, risk management, and control processes.
- Include coverage of information technology governance, fraud risk, the effectiveness of compliance and ethics programs, and other high-risk areas.
- Identify the necessary human, financial, and technological resources to complete the plan.
- Be dynamic and updated promptly in response to changes in the organisation's business, risks, operations, programs, systems, controls, and organisational culture.

- **Standard 9.2 Internal Audit Strategy**

This standard requires the Head of Internal Audit to develop and implement a strategy for the internal audit function that supports the organisation's strategic objectives and aligns with the expectations of the board, senior management, and other key stakeholders.

- **Standard 9.5 Coordination and Reliance**

This standard emphasises the importance of the Head of Internal Audit coordinating activities and sharing information with other internal and external assurance and consulting service providers. This coordination aims to ensure proper coverage and minimise duplication of efforts.

- ***Standard 8.2 Resources***

This standard sets out that the Head of Internal Audit must evaluate whether internal audit resources are sufficient to fulfil the internal audit mandate and achieve the internal audit plan.

- ***Principle 10 Manage Resources***

This Principle and subsequent standards ensure that the internal audit function is equipped with the necessary resources to operate effectively. This principle emphasises the importance of managing financial, human, and technological resources to support internal audit activities. It includes ensuring adequate funding, maintaining a skilled and competent audit team, and providing access to essential tools and technology.

3.3 Developing the Internal Audit Plan

Organisational resilience theme

3.3.1 The Plan for 2026–27 is framed around an overarching theme of organisational resilience, recognising that the Council continues to operate in an environment of significant uncertainty driven by factors such as financial pressures, geopolitical instability, transformation and change activity, rapid developments in digital and AI technologies, increased cyber risk, and increasing and changing demand and pressures on services. These pressures heighten the Council’s need for robust preparedness, timely and effective response arrangements, and strengthened capability to withstand and recover from disruption.

3.3.2 While the audits in the Plan have been identified through the usual risk-assessment process, a resilience lens will be applied to relevant reviews. This means that, where appropriate, traditional audit scopes will be expanded to consider the Council’s ability to maintain critical services during disruption. For example, a review of a payments system may also examine business continuity, incident response and recovery arrangements, ensuring that resilience considerations are fully integrated into assurance work.

Integrated assurance pilot

3.3.3 To strengthen this resilience focus, 2026–27 will see the introduction of a pilot Integrated Assurance approach applied to selected Internal Audit reviews. This approach draws together insight from across the Organisational Assurance and Resilience department - Internal Audit, Counter Fraud & Investigations, Health & Safety, Emergency Planning & Resilience, and Insurance - to provide a more connected, holistic and robust view of risks, controls and governance for the areas under review.

- 3.3.4 Where appropriate, Internal Audit engagements will draw on expertise, intelligence and assurance already held within these functions. This will enable a deeper assessment of the Council's risk exposure and reduce duplication, while providing senior leadership with clearer, more rounded assurance on resilience and control maturity.
- 3.3.5 This model does not replace or dilute any function's statutory, regulatory or professional responsibilities. Each discipline will continue to operate independently and in line with its established standards, and the independence of Internal Audit remains fully protected. Rather, the integrated approach ensures that assurance is not delivered in isolation and that significant risks are understood collectively, supporting more informed decision-making and a stronger organisational response to disruption.
- 3.3.6 Reviews selected for this approach are identified in **Appendix 1**.

Preparing the plan

- 3.3.7 Internal Audit operates across a broad and complex assurance landscape, with an extensive scope that requires balancing evolving and sometimes competing expectations from a wide range of stakeholders. This includes managing resources in a way that enables the service to respond to emerging risks while also providing ongoing assurance over the Council's core systems and controls. To support this balance, Internal Audit adopts an agile, risk-based approach that allows resources to be redirected quickly as priorities change. Alongside its assurance work, the service provides advice and insight to support proactive risk management and undertakes follow-up activity to confirm that agreed improvements have been implemented and embedded.
- 3.3.8 The Plan is informed by an ongoing assessment of the Council's risk profile, drawing on Internal Audit's knowledge of operations, governance, and control arrangements. As part of this process, Internal Audit reviewed and facilitated updates to the Strategic Risk Register and Directorate Risk Registers, ensuring these reflected current risks and could be fully incorporated into audit planning.
- 3.3.9 In preparing the Plan, Internal Audit also considered a range of internal and external inputs, including sector insights, benchmarking with other authorities, previous audit outcomes, fraud risk intelligence, and work undertaken by External Audit and other assurance providers. Engagement with senior management further ensured that planned coverage aligns with organisational priorities and areas of highest risk.
- 3.3.10 To provide clear visibility of how assurance resources will be deployed, the Plan is structured into four components:
- **Core assurance:** planned reviews of key systems and controls that provide the foundation of the Internal Audit annual opinion.
 - **Agile risk-based work:** flexible capacity to respond to emerging risks and priorities identified throughout the year.

- **Consultancy and advice:** time reserved to support management on control design, risk issues and new initiatives.
- **Follow-up activity:** work to confirm implementation of agreed audit actions and strengthened control arrangements.

Information sources

3.3.11 The plan is underpinned by a comprehensive and continuous risk assessment undertaken by the Internal Audit team, which draws on the team’s knowledge and understanding of the Council and its governance, risk management and control processes.

3.3.12 In developing the plan, a range of external information sources were considered, including sectoral updates such as the IIA’s Risk in Focus 2026 report and PwC’s ‘The Risk Agenda for Assurance Functions 2026’ report. The process also involved consultation with other Heads of Internal Audit, a planning workshop and presentation by PwC, and benchmarking against other boroughs’ plans. Additionally, the plan takes into account prior audit findings, strategic and directorate risk registers, fraud risks, and work undertaken and reported by External Audit and other assurance providers.

Resourcing

3.3.13 The Deputy Director Organisational Assurance and Resilience (Head of Internal Audit) has reviewed the resources required to deliver the proposed plan. On the basis of this assessment, the Head of Internal Audit is satisfied that the service has sufficient and appropriately skilled capacity to meet its assurance responsibilities for 2026–27.

3.3.14 The available resource for the Internal Audit function for 2026-27 comprises an estimate of 700 days. This remains broadly in line with the London average. The 2025 London Audit Group benchmarking exercise reported an average of 745 audit days across London boroughs (range 412–1,610).

3.3.15 It is anticipated this time will 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% |

3.3.16 The service also continues to operate a co-sourced model, with approximately 200 (of the 700) days delivered by an external partner. This model remains effective and provides a number of benefits, including:

- enhanced flexibility and resilience in resourcing
- access to specialist expertise (e.g. IT and cyber) not held in-house
- benchmarking and insight from other councils using the same framework

- access to specialist-led training, tools and sector developments
- strong organisational understanding retained through the in-house team

Reporting progress

- 3.3.17 Progress reports and outcomes of internal audit work are reported functionally to both CMT and the Audit and Standards Advisory Committee. An *Interim Internal Audit Report* is presented in Q2/3 and the *Annual Internal Audit Report*, containing the Head of Internal Audit's annual opinion, is reported in June. Routine progress updates are presented at key intervals between these two reports.
- 3.3.18 In addition to reporting functionally to CMT and the Audit and Standards Advisory Committee, regular updates are reported in-year to Directorate Leadership Teams (DLTs) and the Brent Assurance Board.
- 3.3.19 All assurance-based reviews undertaken by Internal Audit result in an opinion of either 'substantial', 'moderate', 'limited' or 'no' assurance. These conclusions are based on the number of critical and high priority risks identified in an audit report.

3.4 Internal Audit Strategy

- 3.4.1 In accordance with the Global Internal Audit Standards the Head of Internal Audit must develop and implement a strategy for the internal audit function that:
- a) includes a vision, strategic objectives and supporting initiatives for the internal audit function;
 - b) supports the strategic objectives and success of the organisation;
 - c) aligns with the expectations of the 'Board', senior management and other key stakeholders; and
 - d) is reviewed periodically.
- 3.4.2 The Internal Audit Strategy 2024-2027, agreed by Council Management Team (CMT) and the Audit and Standards Advisory Committee in March 2024 (see [here](#)), set out four strategic objectives and priorities. These objectives were established in response to the growing challenges and risks faced by the Council, as well as the increasing demands and expectations of stakeholders. This necessitated the delivery of an internal audit function that is both agile and responsive to the Council's evolving needs.
- 3.4.3 In accordance with the Global Internal Audit Standards, the Head of Internal Audit must review the Internal Audit Strategy with CMT and the Audit and Standards Advisory Committee periodically. To this end, *Appendix 2* sets out an assessment at the end of Year 2. No revisions or adjustments have been made to the strategy.

4.0 Stakeholder and ward member consultation and engagement

- 4.1 None

5.0 Financial Considerations

5.1 The Internal Audit Strategy 2024-2027 and plan for 2026-2027 will be delivered in accordance with the approved budget.

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

10.1 None

Report sign off:

Minesh Patel

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