Internal Audit Annual Report

2025-26

1. Introduction

This report summarises the work undertaken and delivered by Internal Audit for the financial year 2025-26, in accordance with the plan and programme of work agreed in March 2025.

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.

*It should be noted that items marked with ** denote areas that were previously reported to the Audit and Standards Advisory Committee in December 2025. These have been re-presented within this report for completeness as part of the annual opinion. As a result, the status of findings may have progressed since their original reporting, and updated follow-up outcomes will be reported during 2026–27.*

Head of Internal Audit Annual Opinion and Conclusion

The 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 2025-26.

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, which has been subsequently followed up in 2025-26. The Head of Internal Audit had no involvement in this process, with the Deputy Head of Assurance reporting directly to management.

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 2025-26 - Dashboard

53 Audits Completed

11 Core Assurance

12 Assurance over inherent risks

4 School audits

5 Consultancy/Advisory reviews

21 Follow-up reviews

5a. Core Assurance Work 2025-26 - Dashboard

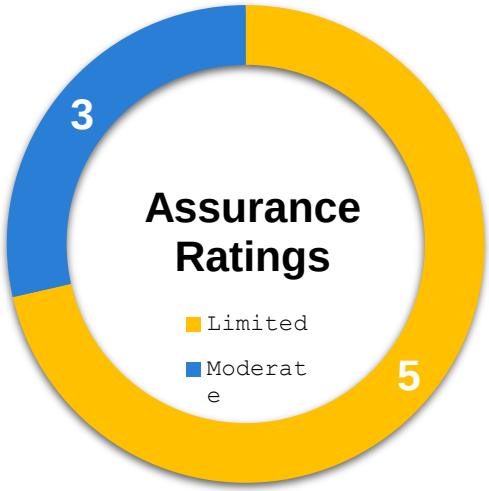
This work is undertaken to provide assurance over the Council's core/key systems and controls. This is in accordance with a rolling, 3-year cyclical plan.

11 **Audits Completed** (100% of plan)

5 **Key Financial Systems reviews**

3 **IT Reviews**

3 **Inherent Risks reviews**



5b. Core Assurance Work 2025-26 - Summary

Type	System / Process	Status	Assurance Provided	Number of Findings		
				HIGH Risk	MEDIUM Risk	LOW Risk
Key Financial Systems	• **Assets and Valuations**	Complete	**Limited**	4	-	-
	• **Capital Expenditure**	Complete	**Moderate**	-	4	3
	• **Debt Management - Extended Follow-up**	Reporting	*Follow-up - Partially Implemented*	-	-	-
	• **Council Tax and Business Rates**	Complete	**Limited**	2	3	1
	• **Budgetary Control**	Complete	**Moderate**	-	2	2
ICT / Cyber	• **STS Assurance Mapping**	Complete	*N/A - Advisory*	-	-	-
	• **STS Asset Management**	Reporting	**Limited**	4	2	-
	• **IT Application - Oracle**	Complete	**Limited**	4	2	2
Inherent Risks	• **Housing Compliance – FRA - Extended Follow-up**	Complete	*Follow-up - Partially Implemented*	-	-	-
	• **Contract Management**	Complete	**Limited**	3	-	-
	• **Children's Safeguarding**	Complete	**Moderate**	-	4	-

5c. Core Assurance Work 2025-26 – Findings (High & Medium)

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

System / Process	Scope	Assurance Provided	Summary of Findings	Responsible Officer /Target Implementation Date
• **Assets and Valuations**	Key Control Testing	**Limited**	**High Risk** 1. Lack of a defined framework and documented processes for maintaining asset registers 2. Roles and responsibilities for asset register management not clearly defined 3. Property Asset Register maintained manually leading to incomplete and unreliable information 4. Inconsistent use of Unique Property Reference Numbers across records and systems	**Head of Property** Q3 - 2026/27
• **Capital Expenditure**	Key Control Testing	**Moderate**	**Medium Risk** 1. Inconsistent application of capital governance and financial management processes 2. High reliance on manual, spreadsheet-based monitoring and reporting 3. Risk management arrangements not fully embedded or implemented 4. Weaknesses in accuracy, classification and approval of capital budget adjustments	**Head of Finance** Q3 - 2026/27
• **Debt Management**	Extended Follow-Up	Not applicable – follow-up review	The Debt Management service has made good progress in implementing Internal Audit recommendations, with improvements to governance, data quality, and operational processes, including enhanced oversight of write-offs, strengthened reporting, and more coordinated working with Adult Social Care. While some areas such as automation and policy alignment remain in development, there is	**Service Manager Revenue and Debt** Revised Target Implementation

System / Process	Scope	Assurance Provided	Summary of Findings	Responsible Officer /Target Implementation Date
			clear evidence of a more structured and proactive approach to debt recovery. **Progress against actions is positive overall**, with 1 of 4 high-priority recommendations implemented, 2 showing good improvement and 1 in progress; and 7 of 9 medium-priority recommendations implemented, with the remaining 2 addressed through alternative management actions.	Dates Q2 - 2026/27
• **Council Tax and Business Rates**	Key Control Testing	**Limited**	*** Previously reported to the Audit and Standards Advisory Committee in December 2025** **High Risk** 1. Delays and omissions in issuing reminder and summons notices 2. Weak controls over Council Tax discounts and exemptions **Medium Risk** 1. Backlog of unresolved discrepancies due to incomplete investigations 2. Debt Recovery Policy outdated and lacking version control 3. No independent review and authorisation of reconciliations 4. Legacy data issues not effectively addressed	**Head of Council Tax and Financial Assessments** Q3 - 2026/27
• **Budgetary Control**	Key Control Testing	***Moderate***	**Medium Risk** 1. Variance escalation and mitigation not supported by defined thresholds 2. Lessons learned and assumptions not consistently documented	**Head of Finance** Q2 - 2026/27

5c. Core Assurance Work 2025-26 – Findings (High & Medium)

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

System / Process	Scope	Assurance Provided	Summary of Findings	Responsible Officer /Target Implementation Date
♦ **STS Assurance Mapping**	Advisory – Key Controls	*Not Applicable - Advisory*	During 2025–26, Internal Audit completed an advisory review to map the assurance arrangements in place over key IT risks within the Shared Technology Service (STS). The exercise did not provide an assurance opinion but focused on identifying existing sources of first, second and third line assurance, highlighting gaps or overlaps in coverage, and producing a consolidated IT assurance map to support improved governance, risk oversight and future internal audit planning. The outcomes of this work will be used to inform the 2026–27 Internal Audit Plan, with a focus on targeting areas where assurance coverage was identified as limited or requiring further independent validation. This will enable Internal Audit to provide more robust assurance over key IT risks and strengthen the overall assurance framework within STS.	**STS Managing Director** Q3 - 2026/27
♦ **STS Asset Management**	Key Controls Testing	**Limited**	**High Risk** 1. Information and Communications Technology asset records incomplete and unreliable 2. Weak controls over asset lifecycle management and disposal 3. Inadequate access controls over asset management systems 4. Physical security controls not consistently applied **Medium Risk** 1. No overarching asset management strategy or governance framework	**STS Managing Director** Q3 - 2026/27

System / Process	Scope	Assurance Provided	Summary of Findings	Responsible Officer /Target Implementation Date
			2. Limited assurance over device security compliance and incident response	
• **IT Application - Oracle**	Key Controls Testing	**Limited**	**High Risk** 1. Delays in removing system access for leavers 2. Weaknesses in User Access Review process 3. Role and permissions matrix incomplete and outdated 4. Lack of monitoring of privileged user activity **Medium Risk** 1. Inconsistent joiner and mover access provisioning 2. Weak password controls and limited review of system and generic accounts	**Head of Oracle Cloud Support** Q2 - 2026/27

5c. Core Assurance Work 2025-26 – 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	Scope	Assurance Provided	Summary of Findings	Responsible Officer /Target Implementation Date
♦ **Housing Compliance - Extended Follow-up**	Extended Follow-Up	*Not Applicable – follow-up*	While key operational controls, such as evidence retention and managerial oversight, are now embedded, challenges remain. These predominantly relate to data quality and the need for consistent processes across teams and contractors. Progress in these areas has been slower due to the volume of historic remedial actions still requiring completion and ongoing system and data-cleansing work. The Fire Risk Assessment programme has been refreshed and expanded, identifying additional blocks not previously captured. Immediate risk assessments have been carried out by the Housing Compliance Team, with formal FRAs scheduled for completion. Internal Audit also acknowledges that embedding True Compliance and achieving full reliability of FRA management processes is still in progress.	**Director Housing Services** Revised Target Implementation Dates Q4 - 2026/27
♦ **Contract Management** *(Cross-cutting)*	Key Controls Testing across sample of contracts	**Limited**	**High Risk** 1. Governance arrangements inconsistent with unclear ownership 2. No fully embedded contract management framework 3. Weak performance monitoring, financial oversight and value-for-money assessments	**Head of Procurement** Q4 - 2026/27
♦ **Children's Safeguarding**	Key control testing	**Moderate**	**Medium Risk** 1. No central register of safeguarding training 2. Gaps and delays in social worker supervision 3. Oversight of staffing levels and workforce gaps 4. Inconsistent recording and tracking of safeguarding actions	**Director of Early Help and Social Care** Q2 - 2026/27

6a. Risk-Focussed Work 2025-26 - Dashboard

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

6b. Risk-Focussed Work 2025-26 - Summary

System / Process	Status	Assurance Provided	Number of Findings		
			HIGH	MEDIUM	LOW
• **Residential and Nursing Care**	Completed	**Limited**	3	1	-
• **Pay Policy and Allowances**	Completed	**Limited** (Management Letter)	6	-	-
• **HRA Financial Management**	Reporting	**Moderate**	0	4	0
• **AI Governance**	Completed	**Limited**	2	3	-
• **Parking Debt Collection**	Completed	**Moderate**	1	6	0
• **Wembley Learning Zone**	Completed	*N/A - Advisory*	9	2	1
• **Deputyship / Appointees**	Completed	**Limited**	5	3	-
• **GLA Affordable Housing Programme**	Reporting	*N/A - Advisory*	3	-	-
• **Waste Management / Enforcement**	Reporting	**Moderate**	-	-	-
• **Housing Voids**	Fieldwork in Progress	*Review not yet concluded – outcomes will be reported to the Committee in Q2*			
• **Management of Tenancy Management Organisations**	Fieldwork in Progress	*Review not yet concluded – outcomes will be reported to the Committee in Q2*			
• **Housing & Tenant Satisfaction Improvement Programme**	Completed	**Moderate**	0	2	1

6c. Risk-Focussed Work 2025-26 - Findings (High & Medium)

System / Process	Scope	Assurance Provided	Summary of Findings	Responsible Officer /Target Implementation Date
• **Residential and Nursing Care**	Risk-based	**Limited**	*** Previously reported to the Audit and Standards Advisory Committee in December 2025*** **High Risk** 1. Financial assessments inaccurate and not properly approved 2. Quality assurance processes poorly defined 3. Lack of end-to-end service **Medium Risk** 1. Governance documentation incomplete and outdated	**Head of commissioning, Contracting and Market Management** Q1 - 2026/27
• **Pay Policy and Allowances**	Risk-based	**Limited –** Management Letter	*** Previously reported to the Audit and Standards Advisory Committee in December 2025*** **High Risk** 1. High value of irregular and non-standard payments identified 2. Widespread non-compliance with Pay Policy and Procedures 3. Payments processed without proper authorisation 4. Lack of supporting documentation and audit trail 5. Inadequate verification due to fragmented systems 6. Weak oversight and accountability across services	**Director Human Resources and Organisational Development** Q1 - 2026/27
• **Housing Revenue Account (HRA) - Financial Management**	Risk-based	**Moderate**	**Medium Risk** 1. Roles and ownership for budgeting improvements unclear 2. Reliance on incremental budgeting and outdated debt management policies 3. Lack of challenge over key financial assumptions	**Head of Finance** Q3 - 2026/27

System / Process	Scope	Assurance Provided	Summary of Findings	Responsible Officer /Target Implementation Date
			4. Monitoring arrangements weakened by paused governance forums	
• **AI Governance**	Risk-based	**Limited**	*** Previously reported to the Audit and Standards Advisory Committee in December 2025** **High Risk** 1. No cohesive Artificial Intelligence strategy or policy framework 2. Governance and oversight fragmented with no clear accountability **Medium Risk** 1. Gaps in training and organisational readiness 2. Procurement processes not adapted for Artificial Intelligence risks 3. Artificial Intelligence risks not fully integrated into corporate risk management	**Transformation Programme Manager** Q2 - 2026/27
• **Parking Debt Collection**	Risk-based	**Moderate**	**High Risk** 1. Reconciliation and write-off processes lack a formal financial governance framework **Medium Risk** 1. Governance and oversight not fully documented 2. Limited assurance over data completeness and system interfaces 3. Case progression monitoring not formally controlled 4. Policies and procedures not up to date 5. Weak documentation of enforcement processes 6. Management information fragmented and reliant on manual processes	**Notice Processing Manager** Q2 - 2026/27

System / Process	Scope	Assurance Provided	Summary of Findings	Responsible Officer /Target Implementation Date
• **Wembley Learning Zone**	Risk-based	*N/A - Advisory*	*** Previously reported to the Audit and Standards Advisory Committee in December 2025*** **High Risk** 1. Lack of clarity over safeguarding training and Disclosure and Barring Service status 2. Inconsistent pricing and unverified financial transactions 3. Weak financial governance and inaccurate record-keeping 4. Incomplete event tracking and invoicing issues 5. Lack of role clarity and procurement non-compliance 6. Catering delivered without appropriate compliance controls **Medium Risk** 1. Risk assessments not tailored to the service 2. No documented succession planning arrangements	**Head of Education and Learning** Q1 - 2026/27
• **Deputyship / Appointees**	Risk-based	**Limited**	**High Risk** 1. Use of pooled accounts increasing risk of misallocation 2. System integration weaknesses leading to manual processes 3. No formal governance, procedures or reporting framework 4. Weak segregation of duties 5. Data security and fraud risks **Medium Risk** 1. No structured monitoring of Office of the Public Guardian and Department for Work and Pensions compliance 2. Fragmented adult social care debt management processes 3. Delays in legal authority and financial arrangements	**Head of Council Tax and Financial Assessments** Q1 - 2026/27

System / Process	Scope	Assurance Provided	Summary of Findings	Responsible Officer /Target Implementation Date
• **GLA Affordable Housing Programme**	Risk-based	*N/A - Advisory*	**High Risk** 1. Weak programme controls and inconsistent documentation 2. Fragmented governance and accountability 3. Action plans not addressing root causes of issues	**Head of Capital Delivery** Q4 - 2026/27
• **Waste Management / Enforcement**	Risk-based	**Moderate**	**Medium Risk** 1. Policies and procedures not up to date 2. Inconsistent case recording and documentation 3. Weak evidence retention and audit trail for enforcement actions	**Senior Technical Officer** Q4 - 2026/27
• **Housing & Tenant Satisfaction Improvement Programme**	Risk-based	**Moderate**	**Medium Risk** 1. Risk identification and logging framework not defined 2. No programme-level benefits management approach	**Programme Manager** Q1 - 2026/27

7. Consultancy and Advisory Work 2025-26

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 2025-26; 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
• **Martyn's Law**	**Completed**	The 2025–26 Audit Plan, approved by the Audit and Standards Advisory Committee, was based on the Council's key strategic risks, including Emergency Preparedness, Response and Recovery. This reflects the risk that the Council may not be fully prepared for, or able to respond effectively to, a major incident, with potential impacts on service delivery and the safety and wellbeing of residents and staff. This area is of increased importance following the introduction of the Terrorism (Protection of Premises) Act 2025 (Martyn's Law), which requires qualifying premises to implement proportionate security measures to reduce vulnerability to terrorist threats.
• **Barnham Park - Accounts**	**Completed**	*Management Request.* Annual sign off of Barham Park Accounts
• **DEFRA Grant**	**Completed**	*Management Request.* To provide assurance that grant payment has been spent in line with the scheme guidance.
• **Supported Internships Grant**	**Completed**	*Management Request.* To provide assurance that grant payment has been spent in line with the scheme guidance.
• **Brent River College**	**Completed**	*Management Request.* To provide assurance that grant payment has been spent in line with the scheme guidance.

8. School Audit Work 2025-26

During 2025–26, Internal Audit delivered a programme of school audits using a risk-based methodology, focused on providing independent assurance over key areas of governance, financial management and internal control. Reviews were planned and executed in line with the Internal Audit methodology, with clear scoping, control testing and engagement with school leadership, and a focus on delivering practical recommendations to support improvement.

In addition to individual audits, a thematic analysis was undertaken to identify common control weaknesses and systemic risks across schools, supporting more targeted reporting and future planning.

Internal Audit also undertook wider engagement and advisory activity, including contributions to governor forums and sessions with school leaders and business managers. These sessions shared key audit findings, highlighted common risk areas and reinforced expected controls, supporting stronger oversight and promoting a more consistent control environment across schools.

System / Process	Status	Assurance Provided	Number of Findings		
			HIGH	MEDIUM	LOW
• Harlesden Primary School	Completed	Limited	3	4	-
• Ashley College PRU	Completed	Moderate	-	5	4
• Newman Catholic College	Completed	Limited	16	10	5
• Elsley	Completed	Moderate	-	7	6

9a. Follow-up Work 2025-26 - Dashboard

This section of the report provides an update on following-up on audits completed in 2024-25.

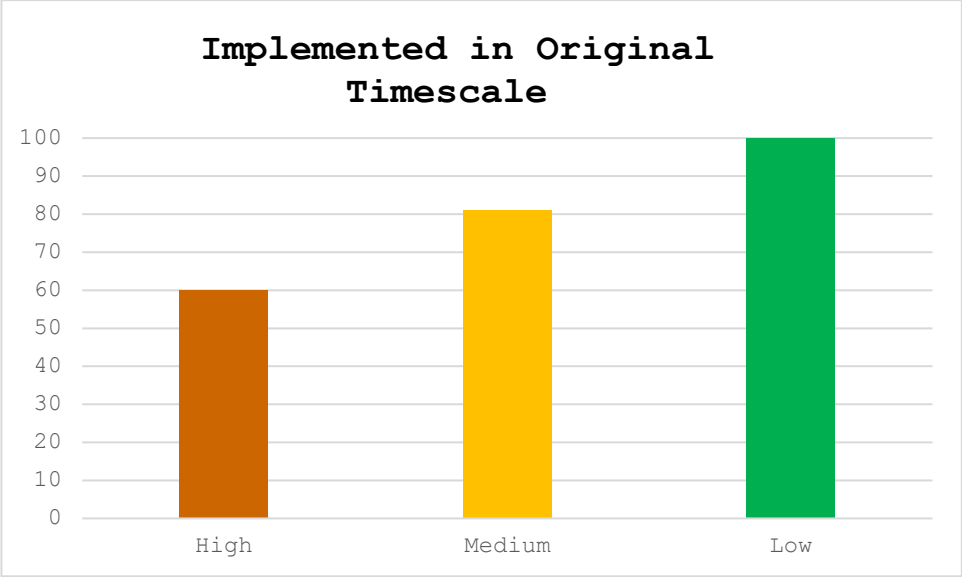
21 Follow-ups completed

90 Actions Followed Up

30 High risk

41 Medium risk

19 Low risk

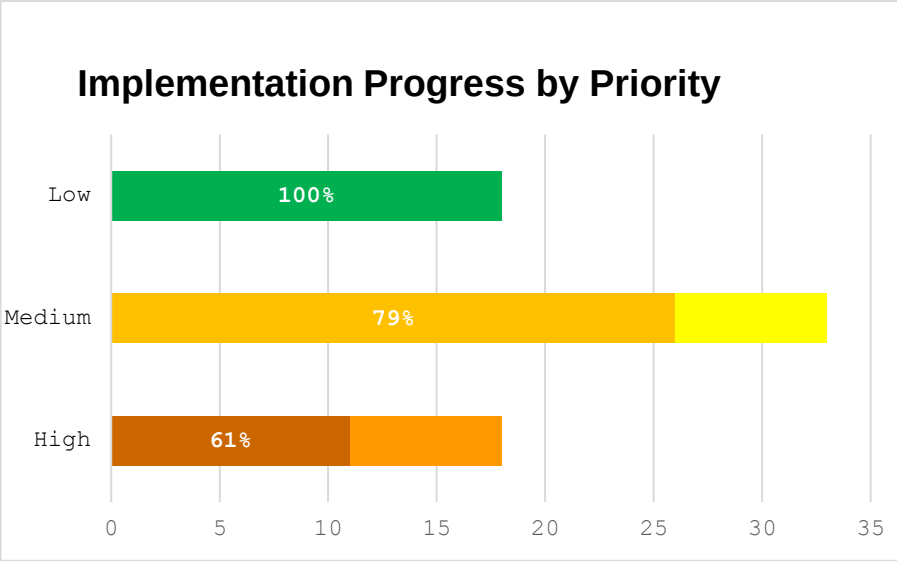


79% of all actions implemented within original target dates

9b. Follow-up Work 2025-26 – Summary

Follow-up reviews are undertaken to monitor the implementation of agreed actions and confirm that risks have been appropriately addressed. Internal Audit tracks progress through an action monitoring process, including validation of evidence where required. The table below provides the Committee with an overview of the implementation status of actions arising from audits completed in 2024–25.

Risk Level	Total Actions Due	Total Implemented	%	Prior Year – 2024/25	Trend
High	18	11	61%	64%	⟷
Medium	33	26	79%	61%	↑
Low	18	18	100%	95%	↑
Totals	**69**	**55**	**79%**	**67%**	↑



Audit Followed Up (from 2024-25)	Agreed Actions Due			Actions Implemented at Follow-up		
	H	M	L	H	M	L
♦ General Ledger	-	3	2	-	3	2
♦ Treasury Management	-	-	2	-	-	2
♦ Insurance	-	2	-	-	-	-
♦ VAT	-	3	2	-	3	2
♦ STS Procurement	1	1	-	1	1	-
♦ STS Project Management	-	4	1	-	4	1
♦ IT Application - Mosaic	-	3	-	-	3	-
♦ Recruitment Vetting	-	-	2	-	-	2
♦ True Compliance	1	1	-	1	1	-
♦ Health and Safety Compliance	5	-	-	-	-	-
♦ Procurement	1	-	-	1	-	-
♦ Performance Management	-	-	-	-	-	-
♦ Section 20/20B Major Works and Improvement re-charges	-	1	-	-	-	-
♦ Social Housing (Regulation) Act – inspection preparedness (ASB)	1	1	-	2	1	-
♦ Discretionary Housing Payments	-	1	4	-	1	4
♦ Re-defining Local Services – Contract Management	-	2	2	-	2	2
♦ Direct Payments (Children's)	-	-	-	-	-	-
♦ Direct Payments (Adults)	3	2	-	3	2	-
♦ S106/CIL	-	2	1	-	2	1
♦ Carlton Vale Infant School	4	2	-	3	-	-
♦ Lyon Park Primary School	1	5	2	1	5	2
Total Actions	**18**	**33**	**18**	**11**	**26**	**18**

Rate of Implementation

High – 61%

Medium – 79%

Low – 100%

9c. Overdue Actions

At the time of preparing this opinion, there were 9 actions (6 High, 3 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.

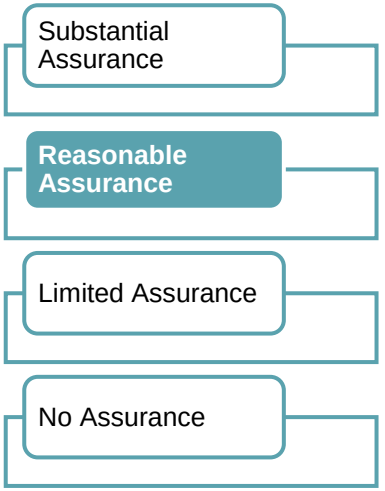
Audit Title	Finding Header	Risk Level	Original Target Date	Revised Target Date	Status
Health and Safety Compliance	Lack of Centralised Governance Structure and Oversight	**High**	Mar-26	Sep-26	Overdue
	Lack of Centralised Data Management	**High**	Sep-25	Sep-26	Overdue
	Compliance Oversight and Verification of Data	**High**	Sep-25	Sep-26	Overdue
	H&S Non-Compliance Risks of Historic Leases	**High**	Sep-25	Sep-26	Overdue
	Performance Metrics and Reporting	**High**	Sep-25	Sep-26	Overdue
Section 20/20b Major Works and Improvement re-charges	Improvements to Policies and Procedures	**Medium**	Jul-25	N/A	In Validation
Carlton Vale	No formal income charging procedures	**High**	Sep-25	June- 26	In Validation
	Roles/responsibilities unclear in financial delegation.	**Medium**	Sep-25	June- 26	In Validation
	Overtime used instead of contract modification	**Medium**	Sep-25	June- 26	In Validation

10. Head of Internal Audit Opinion - 2025-26

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 2025-26 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 2025-26, 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 2025. The opinion is also provided for consideration in preparing the Council's Annual Governance Statement for 2025-26, which will be published alongside the Council's financial statements for the year ended 31 March 2026.

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 2025-26, Internal Audit continued to adopt 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 2025-26 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 2025-26 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

A total of 53 reviews were delivered in-year by Internal Audit, with 9 Moderate assurance and 11 Limited assurance opinions provided. While the number of Limited opinions represents an increase compared to the prior year, this should be considered in the context of the Internal Audit approach, which is deliberately risk-based and focused on areas of highest inherent risk and assurance need.

No critical risk issues/concerns were identified or reported in the work undertaken in 2025-26. 64 high-risk issues have been raised within individual audit reviews, which is an increase of 39 from 2024-25, 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.

Implementation of Actions

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 2024-25 identified an area for improvement relating to the rate of implementation of audit actions within original target dates, with the rate of implementation 64% in 2024-25. There has been a marked improvement with overall implementation at **79%** for 2025-26. The rate of High risk actions implemented within original target dates has also risen from 48% in 2023-24 to 64% in 2024-25 and sits at 60% in 2025-26. 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. Continued focus and management oversight will be necessary to ensure that this improvement is sustained and that the upward trend remains consistent.

At the time of preparing this opinion, there were 9 actions (6 High, 3 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 2025-26, the following sources of assurance have also been considered:

1) **Corporate Peer Challenge**
   The LGA Corporate Peer Challenge (CPC) (January 2025) and Progress Review (November 2025), which recognised strong member–officer relationships, improving financial governance and a positive organisational culture, while identifying opportunities for further improvement in transformation and financial planning. 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 days on site to provide robust, strategic and credible challenge and support.

2) **External Audit**

The Council's Statement of Accounts for 2024–25 was audited in accordance with the Local Audit and Accountability Act 2014 and was published on the Council's website following completion of the external audit. Grant Thornton issued an unqualified audit opinion on the Council's 2024–25 financial statements, with the final certificate of completion to be issued following completion of Whole of Government Accounts procedures, which do not have a material impact on the Council's financial statements.

In addition, the External Auditor's Annual Report for the year ended 31 March 2025, produced under the Value for Money framework, identified significant weaknesses in relation to financial sustainability, reflecting the scale of medium-term savings required to address ongoing demand-led pressures and reduce reliance on reserves. A further significant governance weakness was identified in respect of the Council's self-referral to the Regulator of Social Housing, relating to the governance and assurance of housing compliance arrangements.

The External Auditor also raised a small number of additional improvement recommendations during 2024–25, including in relation to the use of the Property Strategy to review the Council's asset base, maintaining focus on the cumulative Dedicated Schools Grant deficit, and strengthening financial planning arrangements within the Housing Revenue Account.

3) **Procurement Peer Review**

A Procurement Peer Review was undertaken in January-March 2025 in response to significant external and internal drivers, including the implementation of the Procurement Act 2025, the requirements of the Council's wider Change Programme, and findings raised through External Audit. The purpose of the review was to assess whether procurement arrangements were robust, compliant and fit for purpose, and to identify areas where governance, capability and processes required strengthening.

The review highlighted the need for a more consistent and mature approach to procurement practice, clearer organisational accountability, and improvements to both strategic and operational oversight. In response, the Council established a Procurement Improvement Programme (PIP) in May 2025 to address the recommendations and to ensure that procurement governance aligns with statutory expectations, delivers value for money and supports the Council's financial sustainability.

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 2025-26. The Head of Internal Audit has considered the findings and outcomes across all of the Counter Fraud activity in reaching the annual opinion for 2025-26.

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 2026 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 2025-26. 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 2025-26, 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. <u>Assets and Valuations</u>

The Council holds a substantial and diverse property portfolio which underpins service delivery, regeneration activity and income generation. Maintaining a complete and accurate asset register is therefore essential to ensuring robust financial reporting, effective asset management and compliance with CIPFA requirements. During 2025-26, an Internal Audit identified significant weaknesses in the governance and control environment supporting the Council's two key registers: the Finance-led Fixed Asset Register (FAR) and the Property-led Property Asset Register (PAR). The review found that governance and ownership were fragmented, the PAR was maintained manually and was not complete or CIPFA-compliant, and there were no formal policies, defined responsibilities or

systematic reconciliations between the two registers. Testing of a sample of properties revealed data gaps, limited supporting evidence, inconsistencies in Unique Property Reference Numbers and difficulties reconciling information across systems.

These weaknesses present a material risk to the accuracy of property information, the reliability of capital accounting entries and the Council's ability to make informed strategic asset decisions. They reflect both design issues, such as the absence of formalised procedures, data standards and reconciliation processes, and operational weaknesses, including untimely updates and insufficient documentation. The governance significance of these issues was reinforced during the 2023/24 external audit, where asset and valuation concerns contributed to delays in the completion of the financial statements.

Prior to this, and in preparation for the 2024/25 accounts, the Council established a number of cross-council working groups, bringing together Housing, Regeneration, Property, Legal and Finance, to strengthen asset governance, address the issues raised, and ensure services hold accurate and validated information on the assets for which they are responsible. Given the scale and complexity of the portfolio, comprising more than 15,000 assets including additions, disposals and assets under construction, this work has been resource-intensive. Dedicated capacity has been allocated to support data collection, liaison with valuers and coordination across service areas. While significant progress has been made, the scale of work required led to a three-week delay against the original timetable for producing the draft 2024-25 financial statements, reflecting the volume of data-verification and re-valuation activity required.

External Audit also noted that prior-year issues with property, plant and equipment (PPE) balances significantly affected the timing of the audit. Variances were identified in the reconciliation between the FAR and the valuation report, and supporting valuation information required correction before audit work could proceed. The delay in receiving a correct, fully reconciled valuation report meant that auditors had to repeat certain procedures, further reinforcing the need for stronger controls, clearer ownership arrangements and more reliable asset information.

While meaningful progress has been made in strengthening governance and improving data quality, further development will continue beyond year-end to ensure that asset-related processes are consistently applied across the organisation and that high-quality information is maintained. A continued focus on formalising policies, clarifying roles, embedding reconciliation routines and improving data standards will be essential to securing long-term assurance and preventing recurrence of the issues experienced in previous audit cycles.

2. Housing Compliance

In line with co-regulation requirements, the Council made a self-referral to the Regulator of Social Housing and, in May 2025, received a C3 judgement in relation to compliance with the Safety and Quality Standard. This judgement did not represent an overall regulatory assessment of the Council's housing service, but confirmed significant improvement is required in specific areas of landlord health and safety assurance. In response, the Council engaged specialist external advisers to undertake audits and root-cause analysis across all compliance workstreams, providing independent assurance and helping to shape a comprehensive improvement plan. This work is now overseen through strengthened governance arrangements within the Housing and Tenant Satisfaction Improvement Programme. Integrated assurance is provided through the Programme Board, on which the Head of Internal Audit sits.

During 2025-26, the Council continued to undertake work to strengthen the governance and assurance of its housing compliance responsibilities. In March 2025, a self-assessment of data held within the True Compliance system highlighted concerns about the management of key building safety areas. In particular, actions arising from Fire Risk Assessments had been recorded as complete without sufficient evidence, and similar issues were identified in water safety and asbestos compliance processes. In addition, although the Council held stock condition information for the majority of homes, recorded survey data was missing for more than half of the stock.

3. Procurement Improvement Plan

A Procurement Peer Review was undertaken in early 2025 in response to a combination of external and internal drivers, including the implementation of the Procurement Act 2025, findings raised through External Audit, and the Council's wider transformation programme. The review identified the need for a more consistent and mature approach to procurement practice, alongside clearer accountability, strengthened governance, and improved operational oversight.

In response, the Council established a Procurement Improvement Programme (PIP) to address the identified weaknesses and to strengthen procurement governance, capability and compliance with statutory requirements. The programme also reflects broader improvement activity across procurement, contract management and commissioning arrangements.

Internal Audit work undertaken during 2025–26, including the Contract Management review and related follow-up activity, has reinforced the findings of the Peer Review. In particular, this work identified ongoing weaknesses in governance arrangements,

inconsistent application of contract management controls, limited corporate oversight, and gaps in performance monitoring and value for money assessment. These issues highlight the importance of ensuring that improvements are not only designed but are effectively embedded and operating consistently across the organisation.

The scale and cross-cutting nature of the required improvements mean that sustained effort is needed to ensure consistent implementation across Directorates and to achieve the intended benefits. A continued emphasis on embedding the Procurement Improvement Programme, strengthening contract management capability, and improving organisational ownership and accountability will be critical to ensuring that procurement activity is effectively governed, delivers value for money and supports the Council's financial sustainability.

4. Cross-Council Ownership, Collaboration and Control Integration

Across a number of audit reviews undertaken during 2025–26, Internal Audit has identified a recurring theme relating to fragmented ownership and silo working where key controls, risks or processes span multiple services or directorates. While individual elements of control are often operating effectively within service areas, weaknesses frequently arise at the interfaces between teams, systems and governance arrangements.

This theme has been evidenced across a range of reviews, including Assets and Valuations, Housing Compliance, Contract Management, Pay Policy and Allowances, Procurement, and AI Governance. Common features include parallel processes operating without effective reconciliation, inconsistent data held across systems, unclear end-to-end ownership, and reliance on manual workarounds to bridge gaps between services. This pattern extends to the follow-up stage, where actions dependent on joint working and cross-service collaboration have, in several instances, stalled or seen limited progress.

In several cases, oversight arrangements exist in practice but are not consistently supported by consolidated information or clearly documented end-to-end processes. This limits the effectiveness of second-line assurance functions, which are dependent on timely, accurate and complete information from the first line to perform effective monitoring and challenge. As a result, control weaknesses are more likely to persist or re-emerge despite prior audit activity.

External sources of assurance have reinforced this observation. Both External Audit and the LGA Corporate Peer Challenge highlighted the need to strengthen organisational grip, clarify accountability and improve integration across complex, cross-cutting areas such as financial governance, procurement and transformation activity.

Strengthening cross-council collaboration, clarifying single-point accountability for shared risks, and embedding second-line oversight more fully into service-level processes will be critical to improving the consistency, sustainability and resilience of the Council's control environment as operational complexity and delivery pressures continue to increase.

Conclusion

In summary, the Head of Internal Audit is satisfied that the work undertaken by Internal Audit during 2025-26, 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. The 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 WAIP 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 2025-26.

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 2025-26 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 2025-26
KPI2 - Activity	100 % of strategic risks/ key inherent risks covered across 3-year cycle	● On-track	11 audits undertaken in 2025-26 that provide either direct or indirect assurance against the Council's strategic/inherent risks. - Assets and Valuations - Capital Expenditure - Debt Management - Council Tax and Business Rates - Budgetary Control - STS Assurance Mapping - STS Asset Management - IT Application – Oracle - Housing Compliance – Fire Risk Assessments - Contract Management - Children's Safeguarding
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 2025-26.
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.	● Met	79% of actions implemented within original timescales. However, 66% of High Risk Actions were implemented within their original timeframe.
KPI7 – Quality	100% of audit satisfaction surveys rated as 'good or better'	● Met	2 forms returned. 100% rated as good or above.
KPI8 - Quality	Conformance to the Public Sector Internal Audit Standards	● Met	No conformance issues experienced in 2025-26. The new Global Internal Audit Standards were adopted and implemented prior to the go live date of January 2025.