

	Audit and Standards Advisory Committee 16 June 2026
	Report from the Chair of the Audit & Standards Advisory Committee
Annual Report of the Chair of the Audit and Standards Advisory Committee	

Wards Affected:	All
Key or Non-Key Decision:	Not Applicable
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Corporate Director of Finance and Resources Tel: 020 8937 4043 Email: minesh.patel@brent.gov.uk

1. Purpose of Report

- 1.1 This is the fourth annual report of the Audit and Standards (A&S), and the Audit and Standards Advisory (A&SA) Committees, on this occasion solely written by the Chair of the ASAC.
- 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 2025-26 with the aim in drawing attention to some key areas and helping to focus consideration for the 2026-27 Municipal year.

2. Recommendation

- 2.1. The Committee is asked to note the contents of the report, ahead of this being presented to Full Council on 6 July 2026.

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 I should like to begin but putting on record my thanks to the members of both Committees during the 2025-26 Municipal Year, particularly those who are no longer members of the Council. I should particularly like to place record my thanks to the Vice Chair of the ASAC and Chair of the ASC, Councillor Chan for all his help and support.

3.2.2 The Audit and Standards Advisory Committee met six times during the Municipal Year with the Audit and Standards Committee meeting on two occasions. During the year the Committees covered an increasing amount of work, unfortunately often at short notice which in view of some members has been in excess of the time available. Much of the work undertaken by the Committees has again highlighted the high and ever increasing (if generally well-managed), level of risk being faced by the Council.

3.2.3 As stated last year the importance of the work of both Committees continues to grow. With pressures on local authority finances, as highlighted in the failures of governance and financial control at other authorities, focussing our attention on the fundamental problems with the current local government funding and audit systems.

3.3 Overview

3.3.1 2025-26 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, if deteriorating, position, with regard to financial sustainability, with still adequate (if reducing) levels of reserves, but again did not bring in expenditure within the budget for 2024-25. 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 issues were also identified 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, as pointed out Grant Thornton's Annual (Value for Money) Report for 2024/25 with its two key recommendations for action in the medium term; and
 - ii. The level of external debt and hence the interest payments 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 generally sound arrangements in place, as confirmed by both the External Auditor's Value for Money report for 2024-25, (with the exception of the findings concerning improvement in the Housing service, which has led to a third Key Recommendation and a reduction in the rating for improving economy efficiency and effectiveness to having a significant weakness) and Head of Internal Auditor's (HIA) report and opinion issued in June 2025. However, there are a number of areas requiring attention, particularly:
 - i. Implementation of internal audit recommendations/actions. In 2022-23 the HIA opinion first identified an area for improvement in relation to the implementation of audit actions, to ensure that the risks identified from internal audit work were appropriately mitigated. The rate of implementation of audit actions had improved in 2024-25 from 46% in 2023/24 to 67%, however this is still an area which clearly needs to be addressed.
 - ii. Despite some improvement, there is a 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 requires additional improvement.
 - iii. The need to address the management of Housing Compliance, following the Council's self-referral to the Housing Regulator. This is covered in more detail later in this report.
 - iv. As stated above the Council's External Auditors, identified a significant weakness in their Annual Report for 2023-24, relating to the Council's financial sustainability. This concern stemmed from the use of £13.5 million in reserves to balance the 2023-24 budget, alongside a projected overspend of approximately £14 million for 2024-25.

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

- Medium Term Financial Strategy (MTFS): The Council should develop a five-year MTFS aligned with its corporate priorities and transformation programme.
- Reserves: The Council must prioritise restoring General Fund and Housing Revenue Account (HRA) reserves to sustainable levels.
- Financial Processes and Organisational Grip: The Council should enhance its financial processes to improve income generation, productivity, and efficiency. This includes strengthening debt recovery, council tax collection, procurement, and business case development, as well as undertaking cost benchmarking.

3.4 Standards Matters

3.4.1 Although, as has been stated in previous years, 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 ASAC considered a number Standards issues including:

- Complaints against Members.
- Oversight of Gifts and Hospitality; and
- Member Training and attendance.

The ASC also oversees the Member's Code of Contact, subject to final consideration by Full Council, and would consider complains against members that need a Full hearing. (There were none in 2025/26).

3.5 Audit Matters

3.5.1 The ASAC continues to be well served by the Internal Audit and Investigation staff and has received regular updates on the progress of risk-based audits being undertaken during 2025-26.

3.5.2 The audits planned for delivery during 2025-26 included the following, all of which were 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).
- Three IT/cyber security related audits.
- Four audits based on a risk assessment.
- Four Grant/ Certification audits/assessments.

- Seven Schools audits.

3.5.3 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 2025-26 considered by the A&SA Committee in December 2025.)

3.5.4 The Annual Counter Fraud Plan for 2025-26 was considered at the June 2025 meeting with the Committee updated by an interim progress report in December 2025.

The Committees also considered a large number of other items with the most significant being as follows:

- a. In June, the Head of Internal Audit's Annual Report for 2024-25.

(It should be noted that the ASAC will be considering the Head of Internal Audit's Annual Report for 2025-26 at its June 2026 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 2024-25 report concluded that:

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

The HIA opinion in relation to the financial year 2024-25 was 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."

This is the second highest rating on a scale of one to four with one being no assurance and four substantial assurance.

In addition, the following observations were noted:

"In determining the opinion, the HIA has considered any key themes or issues emanating from audit work undertaken in 2024-25, and/or any

areas where enhancements can be made to the Council’s governance, risk management and internal control frameworks.”

The key points raised in the report are covered in the Section 3.3 above.

- b. A report covering the Draft Internal Audit Strategy for 2024-27 and Plan for 2025-26, although this report was considered in March 2025, it relates to 2025-26, the key details of which are set out below.

The report identified the available resource for the Internal Audit function for 2025-25 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%

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 (in 2025/26). The co-sourced model continues to operate effectively and provides a number of benefits, including:

- an in-depth understanding of the Council, its strategies and objectives, and it’s governance, risk management and control processes via the in-house team.
- increased flexibility and resilience in the resourcing of the function.
- access to specialist resource, such as IT/Cyber specialisms.
- increased benchmarking opportunities with other Councils who call off the same framework; and
- Training events and conferences hosted by PwC.

An update on the use of resources is covered above.

- c. The ASAC continued to receive updates on the work of the Council’s external auditors Grant Thornton, (the audit of the 2024-25 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 2026.

The report was markedly less positive than in 2023-24, with the overall finding being that only one area (Governance) was reviewed as: “*No significant weaknesses in arrangements identified, but improvement recommendation made.*” with the direction of travel found to be stable, but not improving.

In terms of the other two areas - Financial Sustainability & Improving Economy, Efficiency and Effectiveness the findings were of “*significant weakness in arrangements*” with key recommendations made. The weakness identified were as follows:

(a) Financial Sustainability:

The report stated that in the prior year, a significant weakness had been identified in the Council’s financial sustainability arrangements with the need highlighted to set a realistic budget for 2026-27 and into the medium-term without relying on reserves. The report concluded that insufficient progress has been made with the matter being re-raised as a key recommendation. Their evidence was:

- That in 2023-24 the £13.5 million overspend was covered by the Future Funding Risk reserve. In 2024-25, service overspends of £15.5 million were covered using earmarked reserves, released after an exercise to re-purpose reserves to support the revenue budget and enhance financial resilience. At 31 March 2025 useable reserves (non-ring fenced) were £27.1 million. Whilst the Council planned to increase its useable reserves by £5.4 million (21%) to £30.6 million by March 2026 no increase in planned reserves had been built into future years in the current MTFS.
- Overall, the Council’s budget growth was forecast to increase by 52% from the 2022-23 position, an increase of £161.6 million, forecasting net expenditure of £473.6 million by 2028-29. This is a considerable rate of growth, driven by both increasing costs and demand for services.
- Rising demand pressures, particularly in temporary accommodation and social care, has made delivering balanced budgets increasingly challenging. In 2025-26, the average number of homeless households living in emergency type accommodation is expected to increase to 1,643.
- Grant Thornton’s view was that the Council must urgently take additional difficult decisions to ensure that a realistic budget could be set for next year and in the medium-term, so this could be delivered without the need to further draw on reserves nor Exceptional Financial Support (EFS) from central government.

A second issue raised was that the Council had fully developed the pipeline of savings to close the projected budget gap of £28 million in the

MTFS until 2028-29. Progress was being made with savings plans for 2026-27 identified as part of the budget setting process but a budget gap remained and on this basis, they have identified a further significant weakness in arrangements.

The report concluded while the Council successfully delivered targeted £8 million in savings for 2024-25 and was on track for 2025-26 targets, the arrangements in 2024-25 were insufficient to ensure long-term financial sustainability.

Grant Thornton recommended the Embrace Change Transformation programme must therefore reflect large-scale transformational savings, with greater collaboration and business transformation, underpinned by business plans and incorporated into a revised MTFS.

They concluded overall that the lack of adequate saving plans and failure to deliver recurrent planned savings places delivery of the Council's MTFS and overall financial sustainability at significant risk.

These weakness led to the two Key Recommendations being identified:

(b) Improving Economy, Efficiency and Effectiveness:

A significant risk was raised in the report concerning the Council's performance in managing Housing Compliance, following the Regulator of Social Housing (RSH) awarding the Council a 'C3 grading' for serious failings in meeting quality and safety consumer standards in May 2025, identifying serious failings by the Council as a landlord in meeting the outcomes of the Quality and Safety consumer standards. The Council had made a self-referral in April 2025 concerning the quality and accuracy of its fire safety data.

RSH's engagement with the Council also identified that data for fire safety, smoke and carbon monoxide safety, asbestos management and water safety could not be reconciled; concerns about the data validation process that took place prior to the Council implementing its new asset management system; and although the Council reported that it has 95% of its stock condition data, almost half of homes had not had a recorded survey.

The Council has estimated it will take 12 to 18 months, from May 2025, to resolve compliance issues across the 'Big 8' areas of compliance: fire safety, gas safety, electrical safety, water safety, asbestos management, mechanical and engineering (lifts), damp and mould, and smoke and carbon monoxide detectors.

This has led to a **third Key Recommendations**, and is an area the ASAC has been receiving regular monitoring update reports on

3.6 Regulatory Framework

- 3.6.1 The Committees continues to oversee a number of areas concerning the regulatory framework. These have included the following areas:
- 3.6.2 Reviewing the use of RIPA powers by the Council.
- 3.6.3 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 with the Audit Chairs having continued to liaise 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.
- 3.6.4 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.
- 3.6.5 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 governances. The final part of the statement covers significant governance issues relating to 2024/25. It concluded that there were no such issues identified that arose this reporting year although attention was drawn to the Corporate Peer Challenge, the Procurement Peer Review, and the referral to the housing regulator. It also made a number of recommendations for improvements. As the 2025/26 report will be considered at the June meeting this is mainly historic information.
- 3.6.6 An area which now takes up significantly less of the Committee's time is the oversight of i4B and First Wave Housing with the overlap of responsibilities between the Audit and Standards Advisory Committee and the Scrutiny Committees having been resolved and ASAC now concentrating on the council's overview, supervision and overall governance of Companies, which has both reduced workload and clarified roles.
- 3.6.7 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 Treasury Management function. 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.
- 3.6.8 The Committees considered a number of reports on Cyber Security and Artificial intelligence in view of the rising level of risk identified to the Council and the experience of some other authorities.

- 3.6.9 The Committee also considered the progress of and the outcome of the Procurement Review, particularly in the light of the potential savings, and a significant interest from a number of members.
- 3.6.10 The ASAC also received a number of reports on the Council's performance in managing Housing Compliance function detailed above.

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.
- 3.7.2 The statutory publication for the 2024-25 un-audited account was the 30th June 2025 and although substantially ready by that date, the draft accounts were not published until 18th August. This was as a result of a number of issues being identified primarily concerning the valuation of Council's assets. Despite considerable work by Brent staff and the external auditors, this resulted in the audit not being signed off until the 25th February 2026, two days before the 27th February 2025 Backstop date. This meant, however, that the Council's accounts were not disclaimed by the auditors as happened with some other authorities. (It should be noted that the Pension Fund accounts could properly have been signed by 30th September).
- 3.7.3 The Committee has noted the work being undertaken to try and improve the performance in this area as the Backstop date for the 2025-26 accounts is being brought forward to 31st January 2027. It is understood the target date is 30th November 2026.
- 3.7.4 Members may be aware that earlier this year, 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. These changes are ongoing and the Committees will be carefully monitoring these changes.

3.8 Review of the effectiveness of the Committees

- 3.8.1 ASAC remains well placed in being independently chaired, and having the support of two independent, Standards-focused co-opted members, both of whom bring considerable experience along with the support of a highly experienced audit focuses independent co-opted member.
- 3.8.2 ASAC has 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, members were asked to submit their views and whilst only receiving a low level of response, some key comments are set out below:

Core Strengths & Successes

Deep-Dive Scrutiny.
Financial Resilience Oversight.
Mainly non-political debate
Strong audit input
Independent Leadership.

Critical Gaps & Challenges

The Implementation Gap: A recurring theme is the delay in management implementing internal audit recommendations.
Internal Audit Capacity: Internal Audit resources are stretched.
Late and often long paperwork and reports.

Strengthening Accountability

The committee should move beyond just hearing from the Finance Director.

Closing the Follow-up Loop

Instead of just noting that recommendations are in progress, the committee should implement a RAG rated Escalation Framework.

3.8.4 The Committee will be considering further ways of improving their performance during 2026/27.

3.9 Conclusion

3.9.1 I should like to thank the members of both Committees, and the Independent Co-opted Members and Independent Persons for all their support and assistance during the year.

3.9.2 I 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 Corporate Director and Deputy Directors of Finance, as well as all the finance staff who have supported the Committees. I should also like to thank the Director of Law and the Senior Governance Lawyer for their support.

3.9.3 I would also like to thank the Grant Thornton Partners and auditors for their input.

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.