Internal Audit Interim Report

2026-27

1a. Core Assurance Work 2026-27 – Summary

This section of the plan lists the work that will be undertaken in-year to provide assurance over the Council's core/key systems and controls. Whilst there may still be a need to flex this plan in response to significant changes or risks, it is anticipated that this aspect of the plan will remain relatively stable and unchanged in-year.

	System / Process	Not yet commenced	Planning	Fieldwork	Reporting	Comments
Key financial Systems	**Accounts Payable**				•	Reporting. Awaiting mgt responses
	Accounts Receivable			•		Fieldwork in progress – commenced Q2.
	Payroll				•	Reporting. Awaiting mgt responses
	Pensions			•		Fieldwork in progress – commenced Q3.
	Housing Benefits			•		Fieldwork in progress – commenced Q3.
IT Audit	**Cyber Assurance**			•		Fieldwork in progress – scheduled Q3.
	Technology Risk Management Review			•		Fieldwork in progress – scheduled Q3.
	IT Application (Synergy)			•		Fieldwork in progress – commenced Q3.
Inherent Risks	**Housing Compliance**	•	•	•		Awaab's Law: fieldwork in progress (Q2). Decent Homes: planning – Q3. Domestic Abuse: not yet commenced – planned Q3.
	Procurement	•				Not yet commenced – planned Q4.
	Information Governance	•				Not yet commenced – planned Q4.
	Adult's Safeguarding	•				Not yet commenced – planned Q4.
Rollover	**Housing Voids (Rollover Review)**		•			Planning – scheduled Q3.

1a. Core Assurance Work 2026-27 – Summary (cont'd)

	System / Process	Not yet commenced	Planning	Fieldwork	Reporting	Comments
Grant / Certification	**Supported Internships Grant**				●	Completed.
	Disabled Facilities Capital Grant (DFG)				●	Completed.
	Brent River College				●	Completed.
	Barham Park Accounts - Certification				●	Completed.
	DfT Highway Maintenance Grant				●	Completed.
	Brent River College (Part II)				●	Completed.
School Audits	**Harlesden Primary School (Follow-up)**			●		Fieldwork in progress (Q3).
	Stonebridge School			●		Fieldwork in progress (Q3).
	Newman Catholic College (Follow-up)			●		Fieldwork in progress (Q3).

1b. Core Assurance Work 2026-27 – Findings (High & Medium)

This section provides a summary of findings from core assurance audits where fieldwork has been completed. Draft findings and provisional assurance opinions are identified and remain subject to finalisation following management responses.

System / Process	Assurance Provided	Summary of Findings
Accounts Payable	***Moderate*** *Provisional – draft*	Core payment controls operated effectively, supporting the Moderate opinion. Improvements are needed in purchasing compliance, payment timeliness and monitoring information. **High Risk** 1. **Purchasing, Invoice Processing and Data Quality** Purchasing compliance, payment timeliness and the reliability of monitoring information require improvement to strengthen financial oversight; testing did not identify duplicate payments. **Medium Risk** 2. **Purchasing Agreement Management and Oversight** Responsibilities for maintaining and reviewing purchasing agreements are not clearly defined, increasing the risk that inaccurate or unsupported information remains uncorrected. 3. **Expenditure Outside the Purchase-Order Process and Payment Delays** Incomplete reporting of expenditure outside the purchase-order process limits oversight of payment delays and their causes, although individual delays may have valid explanations. 4. **Aged Creditor Reporting and Data Quality** Inaccurate reporting and unclear ownership weaken monitoring and resolution of outstanding supplier balances, despite regular follow-up.

System / Process	Assurance Provided	Summary of Findings
Payroll	***Moderate*** *Provisional – draft*	Core payroll controls provide an adequate framework, and previous audit actions are largely complete. The remaining findings concern targeted improvements rather than weaknesses undermining the system's overall integrity. **Medium Risk** 1. **Independent Review of Payroll Changes** Payroll checking records do not consistently demonstrate independent review, weakening the audit trail; this is not evidence of incorrect pay. 2. **Review of Legacy Recurring Allowances**

An unresolved legacy allowance requires periodic review of continued entitlement pending Legal resolution; existing controls automatically stop current allowances at their agreed end dates.

3. **Documentation of Recruitment Incentive Payments**

   Recruitment incentive payments are not explicitly covered in the relevant employment documentation, leaving a risk of inconsistent interpretation despite existing arrangements.

2a. Risk-Focussed Work 2026-27 – Summary

This section of the plan is intended to be flexible and adaptive to respond to changing risks and priorities, and to ensure audit resources are allocated efficiently and effectively to the areas with the greatest assurance needs. The audits undertaken as part of this section of the plan will be determined via a number of factors, including:

- an on-going internal audit risk assessment;
- assurance mapping against strategic and directorate risks;
- identification of new and emerging threats and risk areas; and
- on-going consultation with senior management.

System / Process	Not yet commenced	Planning	Fieldwork	Reporting	Comments
Child to Adult Transition		●			Planning – scheduled Q3.
Licensing			●		Fieldwork in progress – scheduled Q3.
Fleet Management			●		Fieldwork in progress – scheduled Q3.
Expenses	●				Not yet commenced – planned Q3.
Crisis Resilience Fund (Advisory)				●	Reporting.
Property Maintenance Framework (Advisory)				●	Reporting.
Employment Rights Readiness (Advisory)			●		Fieldwork in progress – scheduled Q3.
Brent Funeral Service				●	Reporting. Awaiting mgt responses
Management of Tenancy Management Organisations (TMOs)				●	Completed.

2b. Risk-Focussed Work 2026-27 - Findings (High & Medium)

The tables below summarise the High and Medium findings from the risk focussed work to date.

System / Process	Assurance Provided	Summary of Findings
Management of Tenant Management Organisations (TMOs)	***Limited***	Oversight has improved, but the Council's assurance and intervention arrangements require further strengthening. The Limited opinion concerns the Council's landlord oversight, not evidence of widespread TMO service failure. **High Risk** 1. **Oversight and Monitoring** More complete, timely and reliable service and financial information is needed to support effective Council oversight, challenge and intervention. 2. **Governance Framework** Governance agreements and Council decision-making, escalation and intervention arrangements require updating and clearer documentation to strengthen accountability. **Medium Risk** 3. **Roles and Responsibilities** Clearer documentation of oversight responsibilities and delegated authority is needed to establish consistent ownership and accountability. 4. **Policies and Procedures** Formal oversight procedures and information-sharing controls are needed to support consistent monitoring and appropriate access to housing information. 5. **Risk Management** Formal arrangements for assessing, recording and escalating risks are needed to support systematic management of delegated housing services. 6. **Business Continuity** Reviewed and tested continuity and Council contingency arrangements are needed to demonstrate readiness to maintain critical housing services during disruption.

System / Process	Assurance Provided	Summary of Findings
Brent Funeral Service	***Limited*** *Provisional – draft*	Significant financial, governance and resilience weaknesses limit assurance over public funds and sustainable service delivery. The proposed Limited opinion reflects the combined findings and evidence gaps; approval and management agreement remain outstanding. **High Risk** 1. **Governance and Regulatory**

System / Process	Assurance Provided	Summary of Findings
		Formal operating procedures, oversight and continuity arrangements were not adequately evidenced, increasing the risk of inconsistent decisions and service disruption. 2. **Financial Controls** Weaknesses in income recording, payment assurance and financial monitoring limit assurance over cost recovery and public funds; evidence gaps do not establish financial loss. 3. **Procurement and Ethical Conduct** Purchasing approvals, supplier arrangements and conflict-of-interest controls were not adequately evidenced, limiting assurance over transparent decisions and value for money. 4. **Operational and Physical Security** Incomplete service-delivery records limit traceability and independent verification of transport payments; this does not establish that the services were not provided. 5. **System Security, Resilience and Information Governance** System oversight, information governance and tested recovery arrangements were insufficiently evidenced, increasing exposure to unauthorised access, information loss and disruption.

2c. Risk Assessment – to inform audit activity in Q4

The table below lists the potential audit areas identified as part of the rolling internal audit risk assessment, with priority given to those areas with the highest assurance need.

This list is fluid and therefore subject to change/amendment as required by the Head of Internal Audit in respect of new, emerging and changing risks. The table does not purport to be rigid plan of audit activity that will be delivered and instead has been included to provide assurance to the Audit and Standards Advisory Committee as to how the work of Internal Audit in Quarter 4 will be determined.

System / Process	Prioritisation	Rationale / Suggested Scope
Commercial Property – Leases and Rent Collection	Priority 1	The commercial estate is a key income stream exposed to economic volatility and arrears risk. Indicative coverage includes lease management, rent invoicing, arrears monitoring, data accuracy, rent reviews and governance for maximising income.
CYP & ASC Purchasing & Payment Processes	Priority 1	The proposed move towards a single payments team makes this a timely area for assurance over purchasing and payment responsibilities. Payments supporting SEND, looked-after children, fostering and adult social care require clear authorisation and accurate, timely processing. Potential risks include inadequate segregation of duties, duplicate or incorrect payments, and payments continuing after support arrangements change.
Public Health Contract Performance (Advisory)	Priority 1	Listed in the planned advisory programme. Assess the adequacy of monitoring and performance management for Public Health contracts, focusing on high-risk services, compliance, value for money, data quality and effective oversight.
Emergency Duty Team	Priority 2	Out-of-hours social care involves urgent decisions where access to information and wider service support may be limited. Potential risks include delayed responses, inconsistent prioritisation or escalation, and incomplete handovers affecting continuity of care and safeguarding.
Housing Allocations	Priority 2	A planned risk-based candidate reflecting the need for fair, consistent allocations in line with statutory duties. Assess consistent and effective application of the Housing Allocations policy, including eligibility assessments, prioritisation, decision-making, record-keeping and oversight.
Budget Pressures / Savings Delivery	Priority 2	Governance, monitoring and delivery of key savings and pressure areas, realism of savings, forecast accuracy and corrective action.
Performance Management	Priority 2	KPI governance, data quality and reliability of performance information. Potential Q4 advisory review, subject to refresh and alignment with the new Council Plan.

3a. Follow-up Work – Programme Position and Results

Internal Audit continues to operate an established follow-up process, tracking actions through to confirmed implementation, to provide confirmation that improvements in the Council's governance, risk management and control have been embedded. The table below lists the key follow-ups in-progress and planned for 2026-2027 (based on audits completed in 2025-2026).

Follow-up programme – current position

Audit	Original assurance	Follow-up type / delivery status	Original findings*			Agreed actions*			
			H	M	L	H	M	L	Total
Assets & Valuations	Limited	**Full follow-up** – Completed. Results below; actions not implemented.	4	0	0	14	0	0	**14**
Deputyship & Appointees	Limited	**Full follow-up** – Completed. Results below Partially implemented.	5	4	0	13	9	0	**22**
Health & Safety	Limited	**Full follow-up** – Completed. Draft results below; actions not implemented.	5	0	0	22	0	0	**22**
Residential and Nursing Care	Limited	**Full follow-up** – in validation	7	1	0	7	1	0	**8**
AI Governance	Limited	**Full follow-up** – in validation	2	3	0	6	11	0	**17**
STS Asset Management	Limited	**Full follow-up** – in validation	4	2	0	16	8	0	**24**
IT Application (Oracle)	Limited	**Full follow-up** – not yet commenced (Q4)	4	2	2	14	8	8	**30**
Council Tax & Business Rates	Limited	**Full follow-up** – in validation	2	3	1	7	13	3	**23**
Pay Policy and Allowance	Limited	**Full follow-up** – reporting through the Payroll review; one action group partially implemented	6	0	0	6	0	0	**6**
Harlesden Primary School (Follow-up)	Limited	**Full follow-up** – in validation	7	12	0	7	12	0	**19**
Newman Catholic College (Follow-up)	Limited	**Full follow-up** – in validation.	16	10	5	16	10	5	**31**
HRA Financial Management (Hybrid)	Moderate – draft	**Hybrid follow-up** – Actions not due.	0	4	0	0	10	0	**10**
Capital Expenditure (Hybrid)	Moderate	**Hybrid follow-up** – actions recorded as implemented	0	4	3	0	14	8	**22**
Budgetary Control (Hybrid)	Moderate	**Hybrid follow-up** – Actions not due.	1	2	1	1	2	1	**4**

Children's Safeguarding (Hybrid)	Moderate	**Hybrid follow-up** – Actions not due.	0	4	0	0	4	0	**4**
Waste Management/Enforcement (Hybrid)	Moderate	**Hybrid follow-up** – Actions not due.	0	3	1	0	12	3	**15**
Contract Management (Full)	Limited	**Full follow-up** – Q4	3	0	0	25	0	0	**25**
Parking – debt collection (Hybrid)	Moderate	**Hybrid follow-up** – Actions not due.	1	6	0	2	6	0	**8**
Martyn's Law (Hybrid)	Advisory	**Hybrid follow-up** – Actions not due.	2	0	0	2	0	0	**2**
Ashley College PRU (Follow-up) (Hybrid)	Moderate	**Hybrid follow-up** – implementation largely evidenced; three overdue actions recorded	0	5	4	0	13	6	**19**
Elsley (Follow-up) (Hybrid)	Moderate	**Hybrid follow-up** – Actions not due.	0	7	6	0	7	6	**13**
GLA – Affordable Housing Programme (Full)	Advisory	**Full follow-up** – Actions not due.	3	0	0	13	0	0	**13**

Full follow-up results – progress and residual risk

The following table summarises the results of four full follow-ups. Original assurance opinions are shown for context and have not been replaced or re-rated.

Full follow-up	Original assurance	Follow-up status	Findings fully addressed	Actions implemented	Progress, residual risk and next steps
Assets & Valuations	**Limited**	**Not implemented**	**0 of 4**	**0 of 14** 14 outstanding	Data cleansing and governance design have progressed, but principal documents remain draft and completed control checks were not evidenced. Register reconciliation, data quality and asset-change controls remain unverified. **Next:** Complete recovery milestones and evidence approved, operating controls. Targeted verification recommended after 31 January 2027; further phased legacy remediation follows.
Deputyship & Appointees	**Limited**	**Partially implemented**	**8 of 9** 1 High finding partially implemented	**20 of 22** actions implemented. Two High-risk actions remain partially implemented.	Financial authorisation, segregation, independent exception review, referral tracking and debt procedures have improved. Significant residual risk remains while pooled banking and the existing system continue; individual accounts and CASPER/CasparGov are not yet delivered. SJP complaint outcomes/redress remain unconfirmed.

					Next: Verify formal procedure approval/publication and recurring governance reports showing challenge and action tracking. Revised target: 28 February 2027.
Procurement	**Limited**	**Partially implemented**	**4 of 7**	**7 of 12** 5 outstanding: 3 High, 2 Medium	Inactive purchase-order closure, supplier financial checks, waiver recording and guidance, and strategy implementation have progressed. Reliable non-contracted spend data, Board-level oversight and remaining workflow/staff guidance improvements are still outstanding. **Next:** Complete the five outstanding actions by 31 December 2026, followed by targeted verification of implementation and operating effectiveness.
Health & Safety	**Limited**	**Not implemented**	**0 of 5**	**0 of 22** 22 outstanding	Reported local activity and draft Compliance Group arrangements do not demonstrate Council-wide implementation or functioning oversight. All original action dates have passed. **Next:** Agree a Council-wide recovery plan with accountable owners, firm deadlines and evidence requirements. Revised target: 28 February 2027.

3b. Outstanding High-Risk Actions

The table below summarises outstanding High-risk actions from follow-up work and dated management updates, including 2024/25 reviews.

For each review, the original implementation date shown is the latest original target date across its outstanding High-risk actions, rather than the individual deadline for every action. Revised implementation dates reflect the latest deadlines provided by management. Revised deadlines do not indicate that actions have been implemented. Actions remain outstanding pending Internal Audit verification.

Audit / source	Outstanding High actions	Latest original implementation date	Revised implementation date(s)
Property Assets and Valuations 2025/26 full follow-up	14	30 September 2026	31 January 2027
Health and Safety 2025/26 full follow-up	22	31 March 2026	28 February 2027.
Direct Payments to Children 2024/25 review	6	31 July 2025	30 November 2026.
Lyon Park Primary School 2024/25 review	3	30 April 2025	31 January 2027.
Wembley Learning Zone 2024/25 review	3	31 January 2026	31 December 2026
Procurement 2024/25 review full follow-up	3	30 June 2025	31 December 2026.
Deputyship and Appointees 2025/26 full follow-up	2	31 May 2026	28 February 2027
Section 20 2024/25 review	1	1 May 2026	January 2027
Social Housing Act – Anti-Social Behaviour 2024/25 review	2	30 November 2025	January 2027

4a. Internal Audit – Key Performance Indicators

The Head of Internal Audit is responsible for the internal audit function's conformance with the Global Internal Audit Standards (GIAS) and continuous performance improvement. This includes implementing and maintaining a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit function. To complement and inform the ongoing and periodic assessments of the Internal Audit function, Key Performance Indicators (KPIs) have been defined to measure the performance of the internal audit service. Achievement scores against each of these KPIs for 2026-27 to date are set out in the table below:

KPI	Target	Achievement	Comments
KPI1 - Activity	100% of Core Assurance Plan completed across the 3-year cycle	● On-track	100% of Core Assurance planned work completed in 2025-26. On-track to deliver all Core Assurance audits in 2026-27.
KPI2 - Activity	100% of strategic risks/ key inherent risks covered across 3-year cycle	● On-track	On track to cover strategic and key inherent risks across the three-year cycle through the Core Assurance and risk-focussed audit programmes.
KPI3 - Delivery	Timeliness in raising issues with Management - end of fieldwork to closing meeting <10 working days.	● On-track	9 audits completed where formal report issued. End of fieldwork meeting held within 10 working days in all instances.
KPI4 - Delivery	100 % of acceptance to audit recommendations	● Met	100% of audit actions accepted in audits concluded to date.
KPI5 – Follow-up	100 % of Critical and High-risk actions followed-up within 1 month of due date	● Met	All Critical and High-risk actions due for follow-up during the reporting period were followed up within one month of their due date, meeting the 100% target.
KPI6 – Follow-up	75% of audit actions implemented within original timescales.	● Partially Met	There is a limited population size for follow-ups completed thus far in 2026-27, though trends appears to be on track.
KPI7 – Quality	100% of audit satisfaction surveys rated as 'good or better'	n/a	No survey responses received.
KPI8 - Quality	Conformance to the Public Sector Internal Audit Standards	● On-track	A self-assessment against the standards will be undertaken in Q4.

Appendix A – Basis of our Classifications

Critical

A finding that could have a:

- ***Critical*** *impact on operational performance; or*
- ***Critical*** *monetary or financial statement impact; or*
- ***Critical*** *breach in laws and regulations that could result in material fines or consequences; or*
- ***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; or*
- ***Significant*** *monetary or financial statement impact; or*
- ***Significant*** *breach in laws and regulations resulting in significant fines and consequences; or*
- ***Significant*** *impact on the reputation or brand of the organisation*.

Medium

A finding that could have a:

- ***Moderate*** *impact on operational; or*
- ***Moderate*** *monetary or financial statement impact; or*
- ***Moderate*** *breach in laws and regulations resulting in fines and consequences; or*
- ***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; or*
- ***Minor*** *monetary or financial statement impact; or*
- ***Minor*** *breach in laws and regulations with limited consequences; or*
- ***Minor*** *impact on the reputation of the organisation.*

Appendix B – Assurance Ratings

Rating	Description
Substantial Assurance	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 Assurance	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 Assurance	There are several 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.