

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE Internal Audit Annual Report 2024-25	
REPORT OF Executive Director Corporate Services	
FOR SUBMISSION TO Audit and Corporate Governance Committee	DATE 2 July 2025
<p>SUMMARY OF REPORT This report provides the Committee with an update regarding the work undertaken by Internal Audit, in respect of delivery of the 2024-25 Internal Audit Plan, from 1st April 2024 to 31st May 2025.</p> <p>Local Government Act 1972 – Access to Information No documents that require listing have been used in the preparation of this report.</p> <p>Contact Officer: Nasreen Khan Head of Internal Audit, Investigations and Risk Management 5 Pancras Square London N1C 4AG Telephone: 020 7974 2211 Email: nasreen.khan@camden.gov.uk</p>	
<p>RECOMMENDATION</p> <p>The Committee is asked to note the report.</p>	

Signed: As agreed by the Executive Director Corporate Services

Date: 18 June 2025



LB Camden Annual Internal Audit Report

2024-25

1. Purpose

1.1 This report outlines the work undertaken by Internal Audit, in respect of delivery of the 2024-25 Internal Audit Plan, for the period 1st April 2024 to 31st May 2025.

1.2 This report is intended to support the Audit and Corporate Governance Committee (the Committee) in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by demonstrating that the Internal Audit plan is being delivered, updating on the performance of the audit function, highlighting service areas where high priority recommendations have been made and commenting on the level of implementation of audit recommendations by management.

1.3 This report fulfils responsibilities under the Committee's Terms of Reference i.e.

- To consider reports from the Head of Internal Audit (HIA) on Internal Audit's performance during the year, including the performance of external providers of Internal Audit services. These will include:
 - updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of internal audit work;
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions;
- To consider the HIA's annual report:
 - The statement of the level of conformance with the standards and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
 - The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.

1.4 The HIA annual opinion for 2024-25 is (an explanation of assurance opinions is included at Section 4):

Moderate 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.

The rationale for this opinion is included at Section 7 below.

1.5 This report details the outcomes of delivery of the 2024-25 audit plan in Appendix 1 and outcomes of follow up audits in Appendix 3. The report also provides detail on those areas where the overall assurance opinion was less than 'moderate'. Therefore summary details of high priority recommendations not previously reported to the Committee have been included in Appendix 2.

2. Role of Internal Audit

- 2.1 The Council's Internal Audit function is delivered in accordance with the Global Internal Audit Standards (GIAS). A professional, independent and objective internal audit function is a key element of good governance.
- 2.2 Per the GIAS, "Internal auditing strengthens the organisations' ability to create, protect and sustain value by providing the board (defined as the Committee) and management with independent, risk-based and objective assurance, advice insight and foresight." The primary objective of the service is to provide the Council (via the Committee) with an independent and objective appraisal on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control that supports and underpins the delivery of strategic objectives. This is achieved through the delivery of a planned programme of work (the annual audit plan) based on an annual assessment of the major risks facing the Council. In addition, the service also provides consultancy and advice to management on risk and controls on an ad-hoc and proactive basis.
- 2.3 In 2024-25, the Council's Internal Audit function operated as a shared service with the London Borough of Islington. As reported to the Committee in February 2025, the shared service will demerge from 1st July 2025. Both Camden and Islington acknowledge the benefits the shared service arrangement has brought since its inception in 2012, however the operating environment has changed significantly over the last 14 years. Local Government is experiencing unprecedented change, financial pressures, demographic shifts and increasing demands. Given this outlook there is a need for additional resources to address the increasing complexity around delivery and demand for council services. Whilst the two services will continue to collaborate, this change will allow for each service to be better resourced, with a dedicated Head of Internal Audit and Risk Manager delivering a more focussed service based on the specific needs of the respective Councils. The service is currently in a handover phase which is progressing effectively to ensure a smooth transition for both Councils from 1st July 2025.
- 2.4 The Internal Audit Charter, which details Internal Audit's mandate, was updated in preparation for the implementation of the GIAS as well as the demerger with Islington.
- 2.5 The GIAS require the HIA to confirm the independence of the internal audit function at least annually. Consequently, the HIA confirms that Internal Audit operated independently and free from influence, and this was the case in the 2024-25 year.
- 2.6 The service operates a co-sourced service delivery model, where Internal Audit services are provided by in-house staff, with a small portion of work delivered by a co-sourced provider, currently PwC. The service also works closely and in alignment with the Risk Management and Anti-Fraud and Investigation functions, which provides a number of benefits, including

increased joint-working and collaboration, and the sharing of information and intelligence.

3. Design and delivery of the 2024-25 Internal Audit Plan

- 3.1 The service complies with the requirements of the GIAS by ensuring that an annual risk-based audit plan is devised. The Council's robust risk management processes (and action taken to identify and articulate principal risks) ensures that a solid foundation, on which to base the audit plan, exists. The risk-based audit plan is devised by mapping the Council's Principal Risk Report to internal audit activity. This approach ensures that the audit plan seeks to provide assurance that actions designed to mitigate key risks that threaten the achievement of Camden Plan objectives, are being implemented effectively. In addition to devising an annual risk-based audit plan, a rolling three-year cycle of key financial system reviews is produced. This approach ensures that there is continued assurance on the Council's key financial systems. Additionally, the audit plan also seeks to include areas in which senior management have asked for independent assurance.
- 3.2 The 2024-25 Internal Audit Plan was approved by the Committee in March 2024. In drafting the 2024-25 plan, the latest iteration of the Principal Risk Report was used. This ensured that key risks were incorporated into the plan.
- 3.3 In addition to the Principal Risk Report, a number of other sources of information were utilised in drafting the 2024-25 plan, including CIPFA good governance guidelines, an internal risk assessment, audit plans of other local authorities, and intelligence from previous internal audit and anti-fraud activity.
- 3.4 A concerted effort is made to ensure that the plan is resident focussed. Where audit reviews are undertaken in areas that do not directly impact residents, these reviews are undertaken to provide assurance on the Council's overall governance arrangements. This in-turn will ensure that Camden is in a better position to deliver its desired outcomes for residents.
- 3.5 In addition to the delivery of the risk-based plan, a contingency of approximately 95 audit days was retained to cover urgent and unplanned reviews arising during the year. This approach enabled Internal Audit to respond to new risks, while also proactively providing advice on risk and control as needed.
- 3.6 The GIAS require the Committee to discuss resourcing of the service at least annually. In light of this, the HIA confirms that current resource is sufficient, both in numbers and capabilities to fulfil the mandate and achieve the internal audit plan.

4. Internal Audit assurance opinions

- 4.1 On completion of internal audit reviews, and where appropriate to do so, a statement of assurance is provided. These statements are detailed, where relevant, within Appendix 1 of this report.

4.2 There are four possible assurance opinions that can be provided:

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.
Limited Assurance	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 Critical recommendations would need to be mitigated by significant strengths elsewhere.
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.
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.

4.3 These conclusions are based on the number of critical and high priority risks identified in the report. The Committee receives details of high priority recommendations raised in audit reviews with less than 'moderate' assurance within Appendix 2 of this report.

5. Follow-up activity

5.1 Internal Audit recommendations emanating from planned audit work is subject to follow up to ensure that audit recommendations have been implemented. The level of implementation of audit recommendations is reported to the Committee bi-annually. Follow-up activity undertaken in 2024-25, is summarised in Appendix 3 of this report.

5.2 Internal Audit periodically present open audit recommendations to Directorate Management Teams, in order to further galvanise the follow up of audit recommendations. Where engagement with audit follow ups is not forthcoming, Internal Audit will invite auditees to attend Committee meetings to explain the actions being taken to implement audit recommendations.

6. Quality Assurance and Improvement Program (QAIP)

6.1 A QAIP is designed to evaluate and promote the internal audit function's conformance with the Standards, achievement of performance objectives, and pursuit of continuous improvement. The program includes internal and external assessments. The HIA is responsible for ensuring that the function is continuously seeking improvement.

Internal Quality Assessment

6.2 The GIAS require internal audit services to conduct an Internal Quality Assessment of conformance with the Standards.

6.3 The GIAS took effect for public sector organisations in April 2025. As previously reported to the Committee as part of the 2024-25 Internal Audit Interim Report in December 2024, the service completed a comprehensive self-assessment in anticipation of the introduction of the GIAS in April 2025. This exercise identified some minor areas of partial conformance, and an action plan was developed which has addressed these areas. Internal Audit will also continue to collaborate with peers across London and the London Audit Group to ensure that intelligence and up to date practices are shared in relation to the implementation of the GIAS. The table below provides a summary of the areas of partial conformance along with the action taken and planned.

Area of partial conformity	Action taken	Planned action and timeline
The Internal Audit Strategy and Charter required updating to ensure conformance with the GIAS.	While Internal Audit have operated with a Strategy and Charter historically, these were further updated ahead of the introduction of the GIAS and were approved by the Committee in April 2025.	No further action is currently required. However the Strategy and Charter will continue to be reviewed annually to ensure continued compliance with the GIAS.
The cost relative to potential benefits of internal audit services should be assessed.	The assessment is undertaken as part of the drafting of the annual audit plan and the mapping of areas of assurance with the principal risk report.	No further action is currently required. The annual assessment will be documented as part of annual audit planning process.
The timeliness of Internal Audit reports.	Internal Audit have historically reported as promptly as practicable, within the constraints of auditee availability during audit fieldwork. In 25/26, the following additional measures have been introduced: <ul style="list-style-type: none"> • Improved and streamlined reporting; • Improve controls around monitoring the delivery of audit fieldwork; 	On-going

	<ul style="list-style-type: none"> • More robust escalation in relation to auditee delays. 	
Where the internal audit function places reliance on the work of other assurance providers (internal and external), the basis of that reliance must be documented.	The initial assurance mapping was undertaken as part of the annual audit planning process. An assurance map was shared with the Committee in April 2025.	No further action is currently required. The annual assurance mapping exercise will be documented as part of annual audit planning process. Any barriers to coordination with internal and external assurance providers will be reported to Committee.
The Chief Audit Executive (i.e. the Head of Internal Audit) should meet the Committee Chair at least annually in a private, closed meeting without senior management present.	The provision for a meeting of the HIA and Chair, should the need arise, has historically been in place as stipulated in the Internal Audit Charter and the Committee's Terms of Reference. However as 25/26, this meeting has been formalised and the HIA will meet with the Chair privately at least annually.	No further action is currently required. The HIA will continue to meet with the Chair at least annually going forward (and sooner should the need arise).
Internal Auditors should formally gather information in relation to risk tolerance as part of planning the audit engagement.	While this exercise has historically been undertaken informally at the outset of audit reviews and Internal Audit Terms of Reference make reference to service risk registers, risk tolerance will now be formally considered for specific services subject to review as the 25/26 audit plan is delivered.	No further action is currently required. However the process will be embedded in 25/26 and will continue going forward. Following the demerger of the risk management service with Islington from July 2025, Camden will benefit from increased risk management resource which will further support the auditors in this area.

6.4 The Internal Audit service previously operated a QAIP pursuant to the PSIAS. Following the comprehensive self-assessment completed in 2024-25 in anticipation of the introduction of the GIAS; a self- assessment template has been designed which will be utilised going forward to inform the QAIP. The self-assessment is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- performs its work in accordance with the GIAS and the CIPFA Statement on the role of the Head of Internal Audit;
- operates in an effective and efficient manner;
- is perceived by stakeholders as adding value and continually improving its operations; and
- undertakes both periodic and on-going internal assessments, and commissions an external assessment at least once every five years.

Internal assessments

- 6.3 Internal quality and performance assessments are undertaken through both on-going and periodic reviews.
- 6.4 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 1:1's between audit management and auditors to review and monitor performance, and the review and approval of all outputs by the Audit Manager and Head of Internal Audit (HIA).
- 6.5 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 biannual progress reports presented to the Committee, which summarise progress against the annual plan and key outcomes of audit activity.
- 6.6 Another key assessment are the periodic progress reports presented to senior management, which include a summary of key outcomes identified through delivery of the audit plan, and a summary of open recommendations identified through follow-up activity. In addition, these assessments are also used as an opportunity to review and adapt the annual audit plan to ensure it continues to target areas of key risk.
- 6.8 Other periodic assessments include (but are not limited to):
- annual self-assessments;
 - regular feedback from senior management, including the Director of Finance and the S151 Officer;
 - benchmarking with other London Borough internal audit services, via the Cross Council Assurance Service and London Audit Group.

External Quality Assessment

- 6.9 The GIAS state than an external assessment must be performed at least once every five years by a qualified, independent assessor.

- 6.10 The service was subject to an independent external quality assessment (EQA) in 2021-22.
- 6.11 The results of the EQA were reported in full to the Committee in June 2022. The assessment found that the Internal Audit service **Generally Conforms** with the PSIAS. This is the highest available level of assessment for local authorities. Overall the assessors concluded the Internal Audit Service is well regarded and that Internal Audit staff are qualified, professional, highly skilled and experienced. The sound working practices and methodologies in place at the time of the EQA continued to be implemented in 2024-25. Further a full service review was undertaken in 2024-25 ahead of the introduction of the GIAS in April 2025.

Continuous training and development

- 6.12 A key aspect of the QAIP is the continuous training and development of the Internal Audit team. While the Internal Audit team comprise qualified auditors, the service is keen to ensure that knowledge and skills set remain up to date. Therefore resource for training activity is incorporated into the resourcing calculation when the annual audit plan is drafted.
- 6.13 Ongoing training takes place in largely three forms:
- 1) external training offered by external organisations (e.g. CIPFA and the Institute of Internal Auditors). A training budget is held that allows each auditor to attend at least one course per annum. The Internal Audit service has also subscribed to the CIPFA Better Governance Forum for the 2024-25 year which provides further opportunities for ensuring that learning and knowledge remains up to date;
 - 2) Cross Council Assurance Service networking days (currently hosted by PwC) for boroughs that draw on the assurance framework. These take place approximately once every quarter and cover topical areas and best practice. The Internal Audit service also attend London Audit Group;
 - 3) in-house training via induction, daily working with peers and audit management, guidance obtained through audit management reviews; and liaison and cross-working with the investigations and risk management teams.

7. Head of Internal Audit Opinion for 2024-25

- 7.1 Per CIPFAs application note, in the UK public sector, the HIA must prepare such an overall conclusion at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control.
- 7.2 The following four ratings and definitions have been devised to assist with forming and articulating the HIA annual opinion:

No Assurance	There are fundamental weaknesses within the Council's systems of internal control, risk management and governance, which jeopardise the achievement of key objectives.
Limited Assurance	The adequacy and effectiveness of the overall arrangements for the Council's systems of internal control, risk management and governance are limited. There are a number of significant weaknesses that may put the achievement of key objectives at risk.
Moderate 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.
Substantial Assurance	The overall arrangements for the Council's systems of internal control, risk management and governance are sound. Any improvement or enhancement recommended relates to best practice only.

7.3 The HIA annual opinion for 2024-25 is:

Moderate 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.
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7.4 In summary, it is the HIA's opinion that and overall rating of Moderate assurance is appropriate. Although some high risk rated recommendations were made in individual audit reviews, these were broadly isolated to specific systems or processes. None of the individual audit reviews had an overall classification of critical risk. This opinion is consistent with the previous year.

Basis of the Head of Internal Audit opinion

7.5 The HIA opinion is supported by the delivery of the 2024-25 audit plan, covering the period from 1st April 2024 to 31st May 2025, which identified no critical concerns in respect of the Council's internal control, risk management or governance arrangements. 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.

7.6 As detailed above, a comprehensive approach was followed in drafting the 2024-25 audit plan to ensure that this was resident focussed, aligned to the Council's Principal Risk Report, and provided assurance regarding the key aspects of the Council's internal control framework. The effectiveness of the Council's risk management strategy and framework is regularly reviewed through benchmarking against other authorities, industry standards and best practice. The risk management service also commissioned an external review of the Council's risk management strategy and framework in 2024/25. This has resulted in continuous improvement to the Council's risk management strategy and framework.

7.7 Outcomes of internal audit activity are included at appendices 1-3. In addition to the outcomes of the 2024-25 audit plan, in reaching the HIA opinion, the following governance arrangements were also considered:

- The Council's risk awareness and risk culture has further matured in 2024-25. Risk deep dives have been presented to Committee. There was also a continued awareness of principal risks and a good level of implementation of actions designed to mitigate principal risks. An independent review of the risk management strategy and framework was also commissioned in 2024-25;
- There is a willingness on the part of management to proactively seek Internal Audit advice in relation to risk and control design outside of delivery of the audit plan. This has been evidenced by the additional reviews the senior leadership and service management have requested outside of the 2024-25 audit plan;
- The HIA opinion is also informed by the wider sources of assurance as listed within the governance self-assessment which supports the annual governance statement.

7.8 In summary, the Head of Internal Audit is satisfied that the work undertaken by Internal Audit during 2024-25, as well as wider governance arrangements, has enabled an opinion to be formed on the Council's control framework, risk management and governance arrangements.

8. Finance Comments of the Executive Director Corporate Services

8.1 The Executive Director Corporate Services has been consulted and comments are incorporated within the body of the report.

9. Legal Comments of the Borough Solicitor

9.1 The Local Audit and Accountability Act 2014 sets out the regulatory framework for the audit of local authorities. The Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Accounts and Audit Regulations 2015 (SI 2015/234), regulation 5). The Public Sector Internal Audit Standards which provide a set of public sector internal audit standards were replaced by the Global Internal Audit Standards in the UK Public Sector from 1 April 2025.

10. Environmental implications

10.1 There are no known environmental implications arising from this report.

11. Appendices

Appendix 1 Internal Audit Update

Appendix 2 High priority recommendations

Appendix 3 Follow Up Update

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