LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE Internal Audit Annual Report 2025-26	
REPORT OF Executive Director Corporate Services	
FOR SUBMISSION TO Audit and Corporate Governance Committee	DATE 7 July 2026

SUMMARY OF REPORT
This report provides the Committee with an update regarding the work undertaken by Internal Audit, in respect of delivery of the 2025-26 Internal Audit Plan, from April 2025 to June 2026.

Local Government Act 1972 – Access to Information
No documents that require listing have been used in the preparation of this report.

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RECOMMENDATION

The Committee is asked to note the report.

Signed: As agreed by the Director of Finance

Date: 22nd June 2026

LB Camden Annual Internal Audit Report

2025-26

Camden

1. Purpose

1.1 This report outlines the work undertaken by Internal Audit, in respect of delivery of the 2025-26 Internal Audit Plan, for the period April 2025 to June 2026.

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 Quality Assurance and Improvement Program (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 2025-26 is (an explanation of assurance opinions is included at Section 7):

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 2025-26 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.

2.4 The Internal Audit Charter, approved by the Committee in April 2025, details Internal Audit’s mandate and is aligned with the GIAS.

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 operates independently and free from influence, and that this was the case in the 2025-26 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, which was PwC for 2025-26. 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 2025-26 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 comprehensive risk management processes (and action taken to identify and articulate principal risks) ensures that a sound 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 the Council’s 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 sought independent assurance.

3.2 The 2025-26 Internal Audit Plan was approved by the Committee in April 2025. In drafting the 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 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 to 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 included 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 resource is practically sufficient at current levels, both in numbers and capabilities to fulfil the mandate and deliver 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 could jeopardise the achievement of key service objectives and lead to significant risk of error, fraud, loss or reputational damage being suffered.
Limited Assurance	There are 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 priority recommendations indicating significant weaknesses. Any Critical priority recommendations would need to be mitigated by significant strengths elsewhere.
Moderate Assurance	An adequate control framework is in place. However there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses. However these do not undermine the system's overall integrity. Any Critical priority recommendations 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 are 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 2025-26, 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. In relation to this report, two auditees have been invited to attend the Committee as outlined in Appendix 3.

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, in conjunction with the Audit Manager, is responsible for ensuring that the function continuously seeks to improve.

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 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 was reported to the committee in June 2025. All required actions have been taken, with work ongoing to improve the timeliness of fieldwork and reporting, within the constraints of auditee availability and pressures. These actions include:

- Improved and streamlined reporting;
- Improve controls related to the monitoring of delivery of audit fieldwork;
- More robust escalation and reporting in relation to auditee delays.

6.4 The self-assessment was designed to provide reasonable assurance that Internal Audit:

- performs its work in accordance with the GIAS and the CIPFA (Chartered Institute of Public Finance and Accountancy) 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 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 is the quarterly reporting a key performance indicator relating to Internal Audit follow up activity, which is undertaken as part of Camden's corporate performance management process.

6.7 Other periodic assessments include (but are not limited to):

- annual self-assessments;
- regular feedback from senior management, including the Director of Finance (S151 Officer);
- benchmarking with other London Borough internal audit services, via the Cross Council Assurance Service (CCAS) and the London Audit Group.

External Quality Assessment

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

6.9 The service was subject to an independent external quality assessment (EQA) which reported in 2022. 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.

6.10 The working practices and methodologies in place at the time of the EQA continued to be implemented in 2025/26. Further a full service review was undertaken in 2024/25 ahead of the introduction of the GIAS in April 2025 and continuous monitoring was undertaken in 2025/26. The next EQA is scheduled to take place in 2027/28.

Continuous training and development

6.11 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.

6.12 Ongoing training largely takes place in 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 2025/26 year which provided further opportunities for ensuring that learning and knowledge remains up to date;
2) CCAS networking days (hosted by PwC in 2025/26) for boroughs that had drawn on the CCAS framework. These took place approximately once every quarter and covered topical areas and best practice. The Internal Audit service also attended the 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 2025-26

7.1 Per CIPFAs application note, in the UK public sector, the HIA must prepare 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 in the control environment which could jeopardise the achievement of key service objectives and lead to significant risk of error, fraud, loss or reputational damage being suffered.
Limited Assurance	There are 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 priority recommendations indicating significant weaknesses. Any Critical priority recommendations would need to be mitigated by significant strengths elsewhere.
Moderate Assurance	An adequate control framework is in place. However there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses. However these do not undermine the system's overall integrity. Any Critical priority recommendations 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.

7.3 The HIA annual opinion for 2025-26 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.

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.

<u>Basis of the Head of Internal Audit opinion</u>

7.5 The HIA opinion is supported by the delivery of the annual audit plan, covering the period from April 2025 to June 2026, 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 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.

7.7 Outcomes of internal audit activity are included at appendices 1-3. In addition to the outcomes of the 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 2025-26. Risk deep dives have been presented to Committee and e-learning has been rolled out. There was also a continued awareness of principal risks and a good level of implementation of actions designed to mitigate principal risks;
- 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 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 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.

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

End