



Audit and Risk Management Committee

Date: TUESDAY, 7 FEBRUARY 2017
Time: 2.00 pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

16. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

Internal Audit Update Report

Report of the Head of Audit and Risk Management.

For Information
(Pages 1 - 8)

Item received too late for circulation in conjunction with the Agenda.

John Barradell
Town Clerk and Chief Executive

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Committee:	Date:
Audit and Risk Management Committee	7 February 2017
Subject:	Public
Internal Audit Update Report	
Report of:	For Information
Head of Audit and Risk Management	
Report author:	
Pat Stothard, Head of Audit and Risk Management	

Summary

The Head of Audit and Risk Management is required by the Public Sector Internal Audit Standards to establish a risk-based plan to determine the priorities of internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual independent internal audit opinion on the design and effectiveness of the City's governance, internal control and risk management environment. This report sets out the initial proposed Internal Audit Annual Plan for 2017-18.

Internal Audit is currently completing the process of consulting with Chief Officers and their Senior Managers to provide input into the proposed plan and coverage within their areas and a process of focussing the Plan on priority audit areas will follow.

Recommendation

Members are asked to consider the initial draft 2017-18 Internal Audit work plan.

Main Report

Background

1. The purpose of this report is to present the draft Internal Audit Plan for 2017-18. The plan has been produced with input from the Internal Audit, Risk and Anti-Fraud team. Audit areas have been identified from the corporate, departmental and institutional business plans and risk registers, together with other sources of assurance and then risk assessed using a similar approach as that defined in the Risk Management methodology.
2. Internal Audit is currently completing the process of consulting with Chief Officers and their Senior Managers to provide input into the proposed plan and coverage within their areas and a process of focussing the Plan on priority audit areas will follow.

Current position

3. The draft Internal Audit Plan for 2017-18 currently provides for an estimated coverage of 1,095 days to deliver the internal audit reviews and can be accommodated by internal resources. Through a process of focussed prioritisation, the draft Plan will be reduced down to approximately 900 days, plus

a provision for a contingency of approximately 100 days. In addition, 100 days have been agreed with the Museum of London and London Councils. The coverage will provide sufficient assurance to produce a Head of Internal Audit Opinion.

Role of Internal Audit

4. Internal auditing is an independent, objective assurance and consulting (advisory) activity designed to add value and improve an organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
5. The Internal Audit function reviews the operations of the City. It also supplies the internal audit service to the Museum of London and London Councils under an SLA.
6. The Internal Audit function operates in accordance with the Audit Charter which reflects statutory and professional requirements. Implementation of the audit plan helps the City maintain "a sound system of internal control which facilitates the effective exercise of functions and which includes arrangements for the management of risk". Proper practices are defined in the Public Sector Internal Audit Standards which are the professional basis for the operation of the Internal Audit function.
7. Internal audit adds value and improves the City's operations by promoting a robust control environment for both financial and operational systems, promoting best practice in governance and risk management as well as making recommendations for improvements in operating efficiencies.

Internal Audit Planning and Allocation of Resources process

8. The Head of Internal Audit is required by the Public Sector Internal Audit Standards to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual independent internal audit opinion on the design and effectiveness of the City's governance, internal control and risk management environment.
9. Annually, internal audit conducts a risk-based audit planning process to ensure appropriate coverage of the City's operations (and external partners, where appropriate) is provided.
10. The detailed plan of internal audit work is detailed in Appendix 1. It has been presented in four main areas:
 - Corporate and strategic reviews, which mainly address the corporate risks and/or are cross cutting reviews to identify efficiencies in process and good practice that can be shared.

- Departmental reviews that have been subject to the internal audit risk assessment process and cover some of the areas of concern requested to be reviewed by Chief Officers, including information system reviews.
- Institutional reviews, which cover the key risk areas of the City's Institutions (Police, Barbican Centre, Guildhall School of Music and Drama, City of London Freemans School, City of London School and City of London School for Girls). These programmes are also separately agreed with these institutions.
- Non City Institutional reviews that cover the priority and key financial areas of the Museum of London and London Councils. These programmes are also separately agreed with these institutions.

11. However, as discussed at the Institutional committees already presented with draft plans, we have indicated that they may be subject to change.

Implementation of Audit Recommendations

12. The next six monthly programme of follow up work is programmed for April 2017, the outcomes of which will be reported once this work has been completed.

Conclusion

13. Internal Audit's opinion of the City's overall internal control environment is that it remains adequate and effective although some areas of the financial and operational framework do require strengthening by management as identified in the Red and Amber reports highlighted to the Committee in Members Briefings.

Appendices

Appendix 1 – Draft Internal Audit work plan 2017-18

Contact

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Dept Code	Department/Audit	Pen Picture	Audit Days
Corporate-Wide			
CORP	EMERGENCY PLANNING	To determine whether the City's plan is updated on a regular basis, tested for effectiveness, disseminated to City Staff, and that staff are provided with adequate and appropriate training.	15
CORP	RISK MANAGEMENT	To undertake an audit of the effectiveness of risk management processes performed by the City, with particular focus on the identification of emerging risks at a service level and the inclusion of these in departmental plans.	10
CORP	USE OF WAIVERS	A compliance based audit of requesting and authorising waivers as part of the procurement process.	10
CORP	IR 35 - USE CONSULTANTS AND SPECIALIST (OFF PAYROLL ENGAGEMENT)	An audit to ascertain whether consultants are being corectly treated in accordance with IR35.	10
CORP	EVALUATION OF SUB £100K TENDERS	To establish whether standing orders and procurement regulations are adhered to when procuring goods and services with a value less than £100k.	10
CORP	PROCUREMENT CONSULTATION WITH STAKEHOLDERS	An audit to establish what guidance is provided to officers who are procuring goods and services in respect of consultation with stakeholders.	15
CORP	CONTRACT AND PROCUREMENT CONTINGENCY	Use to be deterrmined as issues emerge.	30
CORP	CORPORATE-WIDE INCOME COLLECTION AND BANKING	To ascertain the controls exercised over income collected and banked by City Departments.	30
CORP	CORPORATE WIDE EXPENDITURE - EXPENSES - PROCUREMENT CARDS - PETTY CASH	To ascertain the controls exercised over expenses - procurement cards - petty cash by City Departments.	30
CORP	CORPORATE-WIDE REVIEW OF BUSINESS TRAVEL	A compliance based audit of business travel arrangements made by a sample of higher spending City departments.	30
CORP	CORPORATE FOLLOW-UP EXCERSISES	An assessment of the implementation of RED and AMBER rated recommendations between six and 12 months old.	20
CORP	INCOME GENERATION	An audit examination of the activities being employed across the Corporation to maintain and increase income generation activities.	25
CORP	INFORMATION GOVERNANCE/GDPR	An audit to determine the transparency and effectiveness of channels of information communication.	10
CORP	CONTINGENCY	Use to be determined as issues emerge.	
Town Clerk's			
TCK	GUILDHALL CLUB ACCOUNTS	Audit verification of the Guildhall Club Annual Accounts and Financial Statements.	5
TCK	FREEDOM OF INFORMATION REQUESTS	An assessment of the City's compliance with the Freedom of Information Act.	10
TCK	SOCIAL INVESTMENT FUND	An evaluation of the use and governance of the social investment fund.	10
TCK	MEMBERS AND OFFICERS DECLARATIONS INTERESTS	To determine whether the Nolan Principles for public life are being upheld in relation to declarations of interest.	15
TCK	HUMAN RESOURCES - STARTERS AND LEAVERS	An examination of the arrangements in place in relation to starter/leaver processes.	20
TCK	STAFF LEARNING & DEVELOPMENT (including Central Training)	An audit review of the procurement of training resources in support of the City's Learning and Development programme.	15
TCK	GUILDHALL ART GALLERY	An establishment audit including: security; stock control; and fees and charges.	15
TCK	INCOME (LENDING LIBRARIES/CBL & GUILDHALL LIB)	A systems based review of budget management; fees and charges; income recording, safekeeping and banking.	20
TCK	PROCUREMENT OF GOODS AND SERVICES (LIBRARIES, GALLERY & LMA)	A compliance based audit of procurement practices exercised by the City Libraries, Guildhall Art Gellery and LMA.	15
Chamberlain's			
CHB	IT - ORACLE PROPERTY MANAGER MODULE APPLICATION REVIEW		15
CHB	IT - ASSET REVIEW		15
CHB	IT - CYBERSECURITY		20
CHB	IT - CLOUD COMPUTING		15
CHB	IT - MOBILE DEVICES (HORIZON SCANNING)		10
CHB	IT - SOCIAL MEDIA (HORIZON SCANNING)		10
CHB	IT - INFORMATION SECURITY		10
CHB	IT BUSINESS CONTINUITY		15

Dept Code	Department/Audit	Pen Picture	Audit Days
CHB	IT ORACLE (CBIS) APPLICATION		5
CHB	IT ORACLE (CBIS) REVENUE		5
CHB	MEDIUM TERM FINANCIAL PLANNING	An examination of the process for preparing the City's medium term financial planning statement.	5
CHB	CITY PROCUREMENT	An audit of the activities undertaken by the City Procurement Purchasing Team in respect of the strive to enhance value for money in purchasing.	20
CHB	COUNCIL TAX & NNDR	A systems based review of Council Tax and NNDR including: billing; collection; and debt management.	20
CHB	TREASURY MANAGEMENT	An audit of compliance to the City's Treasury Management framework.	5
Community and Children's Services			
DCCS	ACADEMIES	An examination of arrangements to ensure that the City's interests in the Academies programme are adequately safeguarded.	10
DCCS	WELFARE REFORM		10
DCCS	HOUSING ALLOCATIONS LETTINGS AND VOIDS		15
DCCS	HOUSING AND BE RENTS	To evaluate the arrangements for setting rent levels and ensure that rents are complete, accurate, promptly calculated and invoiced, and the arrears recovery approach is to maximise income.	15
DCCS	HEALTH AND SOCIAL CARE INTEGRATION		7
DCCS	FINANCIAL ASSESSMENTS (REFER FRAUD WORK)		7
SJC	SIR JOHN CASS SCHOOL EXPANSION		10
SJC	SIR JOHN CASS SCHOOL INCOME GENERATION		10
City Surveyor's			
SVY	Internal Control / Governance		15
SVY	Service Based Property Contracts	e.g. MITIE, Lifts / escalators, cleaning, window cleaning, security, pest control, catering, water coolers....	15
SVY	Guildhall Complex - Performance		7
Open Spaces			
OSD	FINANCIAL MANAGEMENT INCLUDING INTERNAL CONTROL PROCECURES	A high level audit review of financial governance and uniformity of internal control mechanisms across the department.	30
OSD	CITY COMMONS - VISITORS CENTRE & ESTABLISHMENT REVIEW	A system based audit review of financial controls exercised at City Commons	30
OSD	CEMETERY & CREMATORIUM - ESTABLISHMENT REVIEW	A system based audit review of financial controls exercised at the Cemetery & Crematorium.	30
Built Environment			
DBE	HIGHWAYS	An audit examination of the City's Highways expendiure programme an adequacy of governance arrangements.	10
DBE	TFL LOCAL IMPLMENTATION PLAN	An audit examination of controls in place to ensure that income from TFL is utilised effectively.	10
DBE	TOWER BRIDGE & MONUMENT INCOME & EXPENDITURE	A system based audit income collection and procurement of goods and services, including budgetary control.	15
DBE	TOWER BRIDGE & MONUMENT MAJOR INCIDENT PLAN	An evaluation of the arrangements in place to deal with a major incident at Tower Bridge and the Monument.	5
Markets & Consumer Protection			
M&CP	MARKET LEASE RENEWALS	Taken from the current 3 year audit strategy	
M&CP	MARKETS CODE OF PRACTICE AND WORKING MANUALS	Taken from the current 3 year audit strategy	
M&CP	CHARITABLE STREET COLLECTION PERMITS	Taken from the current 3 year audit strategy	
M&CP	TRADING STANDARDS - SEIZED GOODS		10
M&CP	CONSUMER PROTECTION ENFORCEMENT		10
Comptroller and City Solicitor's			
CCS	RECRUITMENT AND RETENTION OF STAFF	An audit exercise to ascertain when controls are in place over the employment of staff and their retention.	5
CCS	ORACLE OPN	An audit examination of how the Oracle OPN software application is utilised, including the control of access and maintenance of the integrity of data.	5
CCS	INCOME AND EXPENDITURE	A system based audit of income and expenditure controls.	10

Dept Code	Department/Audit	Pen Picture	Audit Days
	Remembrancer's		
REM	FUNCTIONS & GUILDHALL LETTINGS - INCOME (INC. BANKING, SAFES AND SECURITY)	A system based audit of income collection, cash security and income banking.	10
	Mansion House		
MHSE	HOSPITALITY AND CATERING CONTRACT MANAGEMENT	An audit exercise to determine how robust the controls over the hospitality and catering contract management are.	5
MHSE	INCOME AND EXPENDITURE	A system based audit of income and expenditure controls.	10
	City of London Police		
POL	ACTION FRAUD PROCUREMENT	This audit will examine the procurement process for the team and contract monitoring arrangements.	10
POL	IT NETWORK SECURITY	The audit will focus on the integrity of the IT network security arrangements.	10
POL	IT TECHNOLOGY REFRESH PROJECT	This audit will determine the adequacy of governance of the IT Refresh Project and consider adherence to timescales and the delivery of milestones.	10
POL	DEMAND POLICING AND EVENT RESOURCING	The purpose of this audit is to examine the budget setting and monitoring arrangements for ad hoc non core policing activities.	10
POL	POLICE BUSINESS CONTINUITY PLANNING	The audit will focus on the arrangements in place to review, revise and test the CoLP Business Continuity plan.	10
POL	POLICE BANK ACCOUNTS	An audit exercise to ascertain the adequacy of controls over the management of defendants funds.	15
POL	POLICE SEIZED GOODS	An audit exercise to ascertain the adequacy of controls over the management of seized goods.	10
	Barbican Centre		
BC	b/f CUSTOMER EXPERIENCE	This review has been carried forward from the 2016-17 plan. It is a strategic goal to enable delivery of a great experience to Barbican Centre visitors and there is a supporting work strand: to deliver 'timely, relevant and memorable experiences for our customers, exceeding their expectations in all that we do'. An area of focus will be data management related to customer satisfaction.	15
BC	EQUALITY AND DIVERSITY	An examination of key controls related to equality and diversity objectives to include arrangements for review of strategy and associated delivery plans, training and data collection processes.	10
BC	RETAIL AND BARS	An examination of key controls over income collection, stock management and associated management information.	15
BC	CASH HANDLING	An examination of key controls to ensure that all cash income is identified and accounted for at the point of receipt, handled securely, banked on a timely and complete basis, and reconciled in full to source data.	10
	The Guildhall School		
GSMD	b/f STRATEGIC PLANNING	This review has been carried forward from the 2016-17 plan. The strategic plan was reviewed and revised in 2016. This audit will focus on the mechanisms for review and revision, including governance arrangements for scrutiny and plan approval.	10
GSMD	b/f INCOME GENERATION	This review has been carried forward from the 2016-17 plan. Maximising income from grant funding, student fees and other income is a priority for the school. This review will look at the strategy in place to ensure income is maximised and a sample of sources of income to confirm receipt in full.	15
GSMD	STUDENT SUPPORT	An examination of key controls related to student support objectives to include arrangements for review of strategy and associated delivery plans, training and data collection processes.	10
GSMD	DATA QUALITY	An examination of the arrangements for ensuring data quality standards are maintained, including appropriate training for those members of staff with key data quality responsibilities.	10
GSMD	SUNDIAL COURT PROJECT GOVERNANCE		10
	City of London School for Boys		
CLS	Financial Management	An examination of the financial management framework to determine whether it effectively supports relevant and timely financial planning, budgeting and allocation of resources in a transparent manner which is aligned with strategic priorities.	10
CLS	Safeguarding	An examination of arrangements to fulfil the School's responsibility to safeguard and promote the welfare of pupils to include policies, procedures and mechanisms in support of key statutory guidance.	7

Dept Code	Department/Audit	Pen Picture	Audit Days
CLS	Health and Safety	An evaluation of the controls and processes for ensuring the health and safety of pupils, staff, Governors and visitors to include policies, procedures, responsibilities, training and communication, management information and reporting.	7
	City of London School for Girls		
CLSG	Safeguarding	An examination of arrangements to fulfil the School's responsibility to safeguard and promote the welfare of pupils to include policies, procedures and mechanisms in support of key statutory guidance.	7
CLSG	Health and Safety	An evaluation of the controls and processes for ensuring the health and safety of pupils, staff, Governors and visitors to include policies, procedures, responsibilities, training and communication, management information and reporting.	7
	City of London Freeman's School		
CLFS	Safeguarding	An examination of arrangements to fulfil the School's responsibility to safeguard and promote the welfare of pupils to include policies, procedures and mechanisms in support of key statutory guidance.	7
CLFS	Health and Safety	An evaluation of the controls and processes for ensuring the health and safety of pupils, staff, Governors and visitors to include policies, procedures, responsibilities, training and communication, management information and reporting.	7
CLFS	Income Generation		7
	Museum of London		
MOL	New Museum Project Governance	This audit will focus on reporting on project progress, risk management and adherence to timescales.	10
MOL	Payroll Adjustments	The purpose of this audit is to examine the controls HR have in place to ensure that all payroll data passed to the Finance Department and input to the City's payroll system is complete, accurate and valid.	10
MOL	Fraud Awareness	The purpose of this audit is to examine the controls HR have in place to ensure that all payroll data passed to the Finance Department and input to the City's payroll system is complete, accurate and valid.	5
MOL	Financial Controls	The area being audited this year is income collection, the security of cash awaiting banking, and banking arrangements.	10
MOL	Insurance Arrangements	The audit will ascertain the existence of insurance cover and extent of coverage.	5
MOL	Follow-ups		3
MOL	CONTINGENCY		7
	London Councils		
LC	Financial Controls (Petty Cash, Procurement Cards, Inventories & Safekeeping)	This will be a probity audit exercise of compliance with controls and veracity of transacions).	5
LC	Grants (including probity checks)	The purpose of this audit is to follow-up on improvements recommended at the last review and undertake site visits to grant recipients shadwoing the work of the grant team on regular monitoring visits.	20
LC	Parking and Traffic	This audit will examine the management of the appeals process.	15
LC	ICT Remote Access and Mobile Devices	Anj evaluation of the adequacy of security controls for staff working from home, and the use of mobile devices such as USB sticks and dongles.	10
LC	Follow-ups		5