

## Corporate Audit Outcomes for July 2019 Barbican Risk Committee

### Corporate Expenses, Procurement Cards and Petty Cash – Moderate Assurance

1. The scope of this audit was examination of controls over the administration of expense claims, use of procurement cards, and the administration of petty cash.
2. Five amber recommendations were raised regarding the following: timeliness of claims policy; a review of expense policies; approval of claims; compliance with policies; accurate coding; and VAT input on claims.
3. Three amber recommendations were raised regarding the following: approval of expenditure limit amendments; splitting of purchases; compliance with policies; supporting documentation for purchases; timeliness of approval of purchases; accurate coding; and VAT inputs on purchases.
4. Four amber recommendations were raised in relation to an update to Financial Regulations; further corporate guidance for petty cash administration; reconciliations of petty cash floats, reviewing the Walbrook Wharf imprest account; and the approval of petty cash claims.
5. All twelve amber priority recommendations were accepted by management.

### City Procurement – Moderate Assurance

#### *Strategy*

6. Audit established by examination of Corporate Procurement Policy documents that a City of London procurement strategy (2015-2018) is in place for achieving value for money, whilst undertaking procurement activity. The strategy has been approved by the Finance Committee and senior management in the form of the Chamberlain's sign-off on the document. The strategy sets out key actions and measures of success in support of the value for money strategy and includes the need for procurement to comply with the Public Contracts Regulations 2015 and the City Procurement Code. However, audit examination noted a weakness in the documentation, whereby an approved change: the replacement of the Procurement Regulation 2014 to the Procurement Code 2015; had not been reflected in strategy document. In addition, Audit established that document version history is not in operation, (for example reviewed and approval date) reducing the clarity of the document review process. Two amber recommendations were made to address these areas.

#### *Compliance*

7. Compliance with the procurement code was determined by examination of a sample of three high value procurements, over one hundred thousand pounds (£100k), and five low value procurements, less than ten thousand pounds (£10k). The compliance criteria for the high value transactions were found to be specific in their compliance requirements, and the sample of high value procurements established them to be compliant. For the low value procurements (under £10k) Audit established that the compliance requirements are less rigid, with the one

exception that where a corporate contract for supplies exists then this must be used. The procurement code for low value procurements does not include explicit requirement to demonstrate adherence to the principles. An amber recommendation was made with respect to the compliance requirements for low value transactions.

### *Savings*

8. Audit identified by discussion and examination of documentation a methodical approach to calculate the annual savings target, and to agree targets with the appropriate stakeholders for the coming year. This methodology includes adequate monitoring and reporting arrangements put into operation to report on progress against savings targets.

### *Partnerships*

9. Audit established that City procurement has suitable arrangements in place to achieve value for money targets in collaboration with internal (City departments) and external (suppliers) parties. Arrangements with external parties includes framework agreements and a supplier contracts register to achieve value for money, with the information published and maintained on the intranet. Internal departments are assisted in achieving value for money by the City Procurement through range of offerings for example regular category boards meetings where expertise is provided on procurement projects and the delivery of the procurement annual sourcing plans.

### *Advice*

10. Audit findings established by discussion that various arrangements are in place to assist departments in procurement matters. A commercial contract team, formed in 2017, is available to provide commercial expertise and advice across all corporate contracts, further advice can be sought on procurement projects and spend at the regular category board meetings that take place between departments and City Procurement. Audit examination of the intranet content established that it contains guidance on the city procurement offerings, including a "toolkit" to assist in the contract management process. However, management information could be improved in the area of the toolkit utilisation by maintaining records of toolkit uptake by departments/contract managers with an amber level recommendation made.

### *Information*

11. Audit testing of documentation established that measures are in place to provide regular management information to the appropriate forums to enable effective review and scrutiny of value for money targets and to allow effective decision making. A savings tracker excel spreadsheet is maintained and monitored by City Procurement Business Process and Reporting Team, and is used to provide regular management information to senior management. An update report is produced by City Procurement on a quarterly basis, which specifies the savings realisation on a cumulative basis against the cumulative targets. The report is provided to the Finance Committee as part of the quarterly update report of the

Chamberlains. The December 2017 quarterly update reported £4.06m in savings and efficiencies had been achieved against a cumulative target of £3.97m.

12. All four amber priority recommendations were accepted by management.

### Corporate: GDPR Readiness – Moderate Assurance

13. The CoL has achieved material compliance with GDPR, as they have all the necessary measures in place and are in progress of becoming fully compliant, once all the below points have been fulfilled.

- The review of third-party contracts has not been fully completed but there has been good progress to address these sufficiently i.e. contractual clauses for data sharing;
- A final retention policy has not been implemented, although this is currently under review. Furthermore, a formal review of all data stored on computer network drives is required, with the help of proposed diagnostic tools;
- The GDPR Project team and the Access to Information Network (AIN) representatives (reps) have worked and coordinated successfully on implementations tasks; however, the going use of the AIN reps should be regularly reviewed to confirm that their continued use meets the expected requirements;
- A mini gap analysis and follow-up audit is beneficial to ensure the tasks are completed and identify any remaining aspects of the GDPR implementation;
- There is ongoing 'Business As Usual' support by the Governance team to continue with GDPR compliance, alongside engagement with the AIN reps who monitor and support departments. The GDPR e-learning course suggests engagement; however, the remaining 6% out of the 94% completion should be identified in order to establish if they are active staff or not;
- Additional resourcing may be needed to embed compliance more actively in some departments, this could be utilised from the GDPR Project team.

14. The review determined that full compliance can be achieved within the organisation once all the above points have been completely accomplished. In particular the review of all data and successfully updating all third party contracts.

15. Both high priority recommendations (red) were agreed by management.

### Corporate: Programmed Repairs & Maintenance – Moderate Assurance

#### *Compiling Asset Registers and Programmed Maintenance Schedules*

16. The audit confirmed that there were appropriate arrangements for devising asset registers as part of preparing the original contract tender; asset registers were produced by City Surveyor's department Property Facilities Managers, building on asset registers used under the previous building repairs and maintenance

contract with Mitie. The asset registers were approved by the Facilities Management Category Board.

17. Audit examination of the contract terms determined that Skanska were required to undertake a further asset verification exercise to locate unidentified assets and update the asset registers accordingly; through audit inspection of revised asset registers it was confirmed that this was undertaken in May 2018. The asset registers set out the frequency at which each asset will be subject to maintenance, as determined by using an externally recognised framework - SFG20.
18. Audit testing confirmed that the original asset registers were uploaded to Micad, the City's Computer Aided Facility Management system which is used to produce programmed maintenance schedules. The Assistant Director advised that the Implementation Manager reviewed Micad to ensure that the asset registers had been uploaded correctly and that accurate maintenance schedules were being produced. Through further inspection of the Micad system, the audit confirmed that the revised asset listings were uploaded to the Micad system in October 2018. Internal Audit was advised by the Property Contracts Performance Manager that the Property Facilities Managers reviewed the accuracy of asset information and corresponding maintenance schedules upon upload.

### *Delivery of Programmed Maintenance Schedules*

19. Audit examination of contractual documentation and discussion with the Property Contracts Manager determined that there are established arrangements for monitoring contractor performance. It was noted that the contractor is required to report against a range of contract Key Performance Indicators each month, one of which relates to the completion rate for programmed maintenance tasks. Under the contract, the target completion rate is 96% and contractual penalties are payable if performance falls below this level. Audit inspection of the monthly performance reports confirmed that the contractor reported satisfactory performance from May to October 2018.
20. The Property Contracts Performance Manager advised Internal Audit that the City Surveyor's department Technical Advisory Group have yet to commence inspection of works to ensure that completion is to the required standard; a red priority recommendation has been made accordingly. In addition, there are no arrangements in operation for following up on those programmed maintenance items that are not completed by their set deadline and an amber priority recommendation has been made.

### *Contract Variations – Compensation Events*

21. Through audit discussion with the Property Contracts Performance Manager and audit testing, including examination of process flowcharts, it was confirmed that there is an appropriate process for managing compensation events in relation to asset additions and disposals to ensure that they are valid and reflected in contractual documentation. There is scope to improve control by establishing arrangements for updating programmed maintenance schedules following

agreement of variations, referred to in the contract as 'compensation events', and an amber priority recommendation has been made accordingly.

### *Monitoring the Relative Proportions of Programmed and Reactive Maintenance*

22. Audit examination of the reports presented to the Corporate Asset Sub Committee and Property Investment Board in September 2018 and October 2018 respectively confirmed that the City is working towards a programmed maintenance to reactive maintenance task ratio of 80:20; it is understood that this ratio is widely recognised as reflecting industry best practice. The reports also confirm that over the next 12 months, the City Surveyor's department intends to identify and take appropriate actions to ensure that the ratio of programmed and reactive maintenance is delivered according to the required ratio. On the basis that management have identified appropriate actions, no recommendations have been made in this area.

### *Costing Programmed Maintenance Schedules and Setting Budgets*

23. Audit examination of reports presented to the City's Finance Committee determined that the Building Repairs and Maintenance contract was originally tendered based on costed asset registers devised by the City. It was noted that the contractor's tender price of £21.9m was approved and subsequent additions to the asset registers increased costs by a further £763k.

24. The Assistant Director confirmed that the City set a programmed maintenance budget of £4.7m in 2017/18 which was sufficient to cover the programmed maintenance requirement. Audit examination of a report presented to the Members of the Corporate Asset Sub Committee in September 2018 confirmed that a reduced budget of £4.4m was set in 2018/19 and that this was deemed to insufficient to cover the City's programmed maintenance requirement (£515k shortfall). Internal Audit confirmed by reference to the minutes of the Policy and Resources Committee meeting in October 2018 that a budget increase was approved to resolve this issue.

25. All three high priority recommendations (one red, two amber) were agreed by management.

### Payroll

26. The key conclusions arising from this audit are as follows:

- It was established that members of the Payroll Team have access to procedure notes on the shared drive. However, some of the procedure documents examined had not been recently reviewed.
- Sample testing of new starters and leavers identified that they were correctly processed.
- Sample testing of voluntary deductions from pay identified that they were correctly processed.

- It was established that the Assistant Payroll Manager has an annual control schedule for processing pay adjustments arising from the annual pay award. Testing of the schedule for the July 2018 award established that it was fully updated to confirm completion of required tasks.
- Sample testing of one-off pay adjustments identified that they were correctly processed.
- Sample testing of recurring pay adjustments identified that they were correctly processed.
- Examination of the Payroll intranet page identified that it did not include cut-off dates for permanent and temporary payroll input.
- Documentary evidence of regular back-ups of iTrent was obtained. It was confirmed that supporting documents for monthly pay runs are held on SharePoint which is password protected.
- It was established that monthly net pay reconciliations were carried out by a Principal Payroll Administrator and checked by the Assistant Payroll Manager. Sample testing of net pay reconciliations established that they were undertaken in a timely manner and independently checked.
- It was established that the Finance Team were checking payroll postings to the general ledger and bank accounts, but formal monthly reconciliations were not in place. An amber recommendation has been raised to address this issue.
- It was established that a dummy pay run is undertaken before each final pay run. Exception reports received for both the dummy run and final pay run are checked by members of the Payroll Team and the checks are recorded on a run sheet.
- Testing of a sample of monthly pay runs identified that they were fully documented, with required checks being evidenced (apart from Year to Date Reconciliation reports, which were not initialled and dated by the person reviewing them).

27. The amber priority recommendation was agreed by management.

### Oracle (CBIS) Application Audit

28. The key conclusions arising from this audit are as follows:

- Whilst system management responsibilities have been assigned for day to day Oracle tasks, system ownership has not been formally assigned. A green priority recommendation has been raised to ensure that ownership of the Oracle system is formally assigned.

- Audit sample testing indicated that while Oracle licenses are in place, they have been exceeded. An amber priority recommendation has been raised that a review be carried out of Oracle usage to ensure that Oracle license arrangements are in line with actual usage and whether additional licenses need to be procured.
- Reasonable controls were seen to be in place to ensure the Oracle application is backed up and that data is replicated offsite. Agilisys have used source backup files to duplicate the Production Oracle database to a new Oracle database, which has shown that the system can be recovered if needed. Whilst a technical restart procedure is in place, there is not a formal Disaster Recovery procedure covering the Oracle application, nor is there a corresponding Business Continuity Plan. An amber priority recommendation has been raised that a Disaster Recovery procedure covering the Oracle application be created along with a Business Continuity Plan.
- We have noted CoL have an Oracle Dataguard implementation, whereby the production Oracle database ships it's archived logs to a standby database server hosted in another site. These archived redo logs are then applied to the standby database, which keeps the Production live and Standby server in synchronisation. We have noted the need for a Disaster Recovery plan to be introduced and this needs to be tested annually. An amber recommendation has been raised that the Disaster Recovery Plan be tested annually.

29. All three amber priority recommendations were agreed by management.