

Committee(s): Audit and Risk Management Committee – For Information	Date(s): 19/11/2019
Subject: Internal Audit Update Report	Public
Report of: Head of Audit and Risk Management	For Information
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Summary

This report provides an update on internal audit activity since the last Internal Audit Update Report presented to the July 2019 Committee meeting and recommendation implementation status since the September 2019 meeting.

The Audit plan for 2019/20 includes 75 full assurance reviews. Since the July 2019 Committee meeting, Final Reports have been issued in respect of 14 audit reviews and Draft Reports issued in respect of a further 14 audit reviews. Fieldwork is underway (at various stages) for a further 30 reviews.

As a result of long-term sickness absence within the team, the current resource base for the year is only sufficient to meet 88% of the original audit plan. Opportunities have been identified to streamline the plan across 9 reviews to accommodate this shortfall and re-balance the plan without compromising the ability to provide a rounded assurance opinion at year end. This is achieved by ensuring that planned audit work is focussed on areas of highest risk and that reliance is placed on the work of other assurance providers where possible. It is anticipated that there may be opportunities to further streamline the audit plan as more detailed planning is undertaken for individual audit assignments.

The team has consistently delivered the Audit Plan by the end of the year despite being off-profile within the year. Nonetheless, changes are being introduced that will enhance plan delivery in the coming years.

Recommendation

Members are asked to:

- Note the report.

Main Report

Background

1. This report provides an update on the work of Internal Audit since the July 2019 Audit and Risk Management Committee and, more recently, the implementation of audit recommendations since the September 2019 Committee.

Internal Audit Plan Delivery

2. The overall position of delivery against the 2019/20 Internal Audit Plan Delivery is summarised in Appendix 1. A significant volume of work was carried forward from 2018/19, with some 17 reports (8 final and 9 draft) issued since the update to the July Committee. This work is now almost entirely complete and a full summary showing progress is included as Appendix 2. 11 Internal Audit reviews have been completed to at least draft report stage since July (6 final and 5 draft, 15% of the plan) with work in progress for a further 30 reviews. A full status summary of the 2019/20 Internal Audit Plan is shown as Appendix 3.
3. The finalised Audit reviews are:

Department/Audit	Assurance Rating	Recommendations Made		
		Red	Amber	Green
Barbican Centre - FRAUD RISK MANAGEMENT	Amber	0	7	4
Chamberlain's - IT - MOBILE DEVICES	Amber	0	8	3
City of London Police - INTERPRETERS FEES	Amber	0	2	2
City of London School for Girls - BUDGET ESTIMATING	Amber	0	2	0
City Surveyors - COMMERCIAL LEASES	Amber	0	3	1
Community and Children's Services - ASYLUM SEEKERS	Red	4	5	0
Guildhall School - INCOME GENERATION	Amber	0	3	0
Town Clerk's - RESPONSIBLE BUSINESS STRATEGY	Amber	0	4	0
Barbican Centre - FINANCIAL MONITORING	Green	0	0	2
Chamberlain's - PROCESS MAPS	Green	0	0	4
City Surveyors - CLFS ENABLING WORKS	Red	4	0	0
Guildhall School - STUDENT PETTY CASH	Green	0	3	8
Guildhall School - ACCADEMIC PROGRAMME DEVELOPMENT	Green	0	0	0
Police Authority - FLEET STREET	Amber	0	2	0

The Red recommendations raised relate to the following:

Community and Children's Services – Asylum Seekers

- Clarifying roles and responsibilities between the Children's Social Care team and Commissioning team
- Formalising contractual relationships with independent placement providers
- Completing documentation in relation to individual agreements for all types of placements
- Sourcing providers of semi-independent living that deliver appropriate quality and value for money provision

City Surveyors – Freeman’s School Enabling Works (2 recommendations were implemented by the target date, one has not been evidenced and one not yet due)

- Training needs in relation to project management procedures (not yet due)
 - Supervision and monitoring of the work of Project Managers and oversight of instructions issued to contractors (implemented)
 - Supervision and oversight of project change requests (implemented)
 - Supervision and oversight to ensure correct completion of interim Payment Certificates (not evidenced)
4. As a result of long-term sickness absence within the team, the resource base is 115 days short of the requirement of the original 2019/20 audit plan. Having examined the intended audit coverage, opportunities have been identified to streamline delivery across 9 audit reviews, shown in Appendix 3 with the status “To be re-planned”. It is anticipated that there will be further opportunities for efficiencies within other planned audit reviews. Consequently, this shortfall will be accommodated within the current year.
5. A number of performance measures and indicators are currently in development and these will be added to those shown in Appendix 1 to form a comprehensive dashboard, forming the basis for future updates to Senior Leadership and Committee.

Recommendations Implementation

6. Follow-up activity has recently been completed in respect of all live red and amber priority recommendations where their due date was on or before 31 October 2019. A summary of follow-up outcomes by department is included as Appendix 4, this shows that 46 recommendations have not been implemented in accordance with the target dates set and where no revised implementation date has been received. A further 15 recommendations are outstanding for which revised implementation dates were received, these will be subject to further follow up in due course. 67 high priority recommendations have been confirmed as implemented. Those outstanding recommendations are listed in Appendix 5, together with management responses received as explanation for non-implementation.
7. At 31 October 2019, there was a total of 117 high priority live recommendations (10 Red and 107 Amber), including those referred to above. A summary of the spread of these recommendations is provided at Appendix 6. Of the 10 live Red recommendations, 6 are referred to above, resulting from recent audits, the remaining 4 relate to the following:

City of London School Cyber Security

- Addressing the recommendations of the recent penetration test (revised implementation date provided)

City of London Freemen's School – Cyber Security

- Penetration testing and prioritisation of corrective action according to the risk presented (revised implementation date provided)
- The policy for use of USB drives (revised implementation date provided)

City of London Police – Key Financial Controls

- The budget-setting process should incorporate:
 - Stakeholder input to ensure alignment with operational requirements;
 - Clear linkage with the Medium-Term Financial Plan and Workforce Plan;
 - Local arrangements for scrutiny;
 - Retention of documentation to reflect key elements of the process e.g. meetings between Finance Business Partners and budget holders and working papers to support budget calculations.(revised implementation date provided)

Conclusion

8. Delivery of the 2019/20 Internal Audit Plan is gaining momentum with 15% of work delivered to at least draft report stage. While delivery is behind the optimal profile for the year, this is attributable to the volume of carry forward work from the 2018/19 plan; with final reports issued for 8 reviews and draft reports for 9 reviews since the update made to the July Committee.
9. A significant amount of work is in progress and, subject to re-planning to accommodate a resource shortfall resulting from long-term sickness absence, the team is expected to deliver the audit plan within the year.

Appendices

- Appendix 1 – Audit Plan Delivery Summary
- Appendix 2 – 2018/19 Carry Forward Work
- Appendix 3 – 2019/20 Plan Delivery Update
- Appendix 4 – Summary of Recommendations due by 31/10/19
- Appendix 5 – Outstanding Recommendations
- Appendix 6 – Summary of Live High Priority Recommendations

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