

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	13/05/2024
<b>Subject: Internal Audit Update</b>	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of: the Chamberlain</b>	<b>For Information</b>
<b>Report author: Matt Lock, Head of Internal Audit</b>	

### **Summary**

This report provides an update on Internal Audit activity between 1 February 2024 and 31 March 2024. 3 Internal Audit reviews have been completed to Final Report stage and work is in progress at various stages for a number of Audit reviews.

During this period, the team currently had one Senior Auditor vacancy (Interviews being held late April) and one Senior Auditor long-term sickness absence. Some of the resulting shortfall in resources has temporarily been met by the Head of Internal Audit and the Audit Manager taking on direct delivery of some assurance work, although it has meant that, overall, it has only been possible to deliver a smaller programme of work than hoped for.

### **Recommendation(s)**

Members are asked to:

- Note the outcomes of completed Internal Audit work.

### **Main Report**

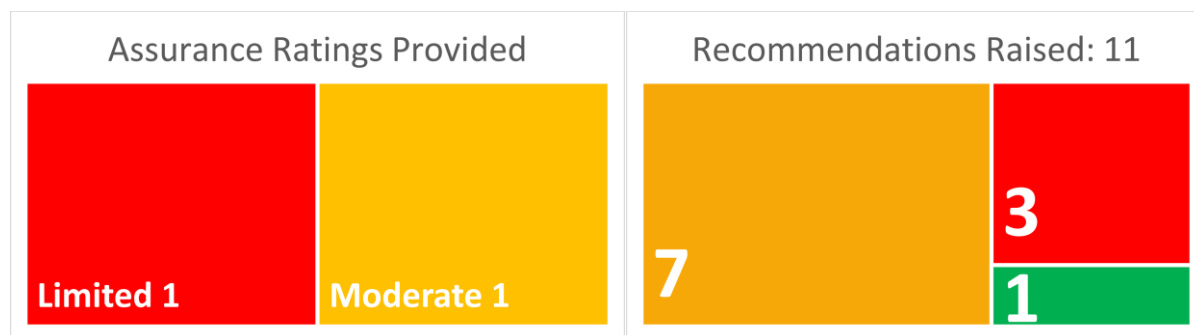
#### **Background**

1. This report provides an update on the work of Internal Audit during February and March 2024, further to the update report provided to the February meeting of this Committee, specifically, an overview of the outcomes from completed Internal Audit reviews. Appendix 1 to the report shows analysis in relation to completed Audit work, since the Annual report of the Head of Internal Audit is also submitted to this same meeting, the cumulative summary of work completed in 2023/24 is not repeated here.

## Current Position

2. Final Audit Reports have been issued in respect of 3 Audit Reviews since the last update, resulting in 1 Limited and 1 Moderate Assurance opinion, the third review was an Internal Audit investigation of a suspected control failure and so adopted a different format. The overall outcomes from the recently completed Audit reviews are summarised in the following table with further information provided in relation to the Limited Assurance opinion and the investigation:

Audit Assignment	Assurance Rating	Recommendations Made		
		Red	Amber	Green
Deputy Town Clerk – Members Financial Support	Limited	0	1	0
City of London Police – Cost Recovery and Income Collection	Moderate	3	3	0



### Deputy Town Clerk – Members Financial Support

3. While there are two schemes in operation to provide financial support and compensation for time and expenses, it was confirmed that only the “Extended Member Support Scheme” has been utilised. This Audit examined the following:
- Calculating and approving the rates of payment under the Scheme;
  - Submitting, reviewing and approving claims for payment in line with the provisions of the Scheme;
  - Timely and accurate processing of payments.
4. The overall conclusion was that the current arrangements in place for the administration of the Extended Member Support Scheme are effective or fit for purpose. The contract with the current scheme administrator has expired and is operating on a rolling basis pending a decision on future administration requirements, an overarching audit recommendation has been made to introduce alternative arrangements for administration.
5. Audit testing indicates that there are weaknesses in the overall internal control framework. Potential discrepancies have been identified in respect of the eligibility of some claims sampled and opportunities have been identified to strengthen arrangements to ensure:
- Timely submission of claims, avoiding financial penalties.

- Validity of claims i.e. correct meetings stated and attendance confirmed.
- Identification of potential duplicate claims / payments.

### Pensions Auto-Enrolment – Casual Workers

6. Senior Leadership had identified a potential issue in relation to the application of Pensions Auto-Enrolment obligations for casual (weekly paid) workers, specifically at the Barbican Centre. Internal Audit undertook a review to examine the issue in greater detail and determine the extent to which this issue was present across the organisation.
7. The Audit review confirmed that casual workers at the Barbican Centre had not been correctly notified that the organisation was applying “postponement” to the assessment of eligibility for automatic enrolment to the City of London Corporation’s Local Government Pension Scheme. Further, Internal Audit confirmed that, while this issue had not occurred across the whole organisation, there were several other service areas impacted. The matter was reported to The Pensions Regulator, following advice from the Head of Internal Audit.
8. Recommendations were made to address this matter and the Head of Internal Audit continues to work with HR colleagues to resolve this.

### **Follow-up Work**

9. Follow-up work has been undertaken in respect of 4 Internal Audit reviews covering 16 recommendations, of which 6 have been closed. This is a somewhat smaller programme of follow-up work than had been intended for the final 2 months of the year, reduced owing to the limited capacity in the team resulting from long-term sickness absence.
10. Further Analysis of open recommendations is incorporated within the Head of Internal Audit Annual Report.

### **Forward Programme of Internal Audit Work**

11. Appendix 2 shows the forward programme of Internal Audit work for the first quarter of 2023/24. This plan will be extended over the coming weeks to incorporate the second quarter of 2023.24, following conclusion of the current Senior Auditor recruitment campaign.

### **Corporate & Strategic Implications**

12. The work of Internal Audit is designed to provide assurance as to the adequacy of the City of London Corporation’s systems of internal control and governance. This programme of activity is aligned with the Corporate Plan, Corporate Risk Register and Departmental Top Risks.

## **Conclusion**

13. Given the capacity and delivery capability of the Internal Audit team, delivery of planned Audit work is good. With one vacancy and one team member suffering poor health, the team is operating below intended capacity.
14. While Internal Audit work identifies areas for improvement within the systems and processes examined, the findings of Audit work have been well received by Management and appropriate actions have been identified to resolve the control weaknesses raised.

## **Appendices**

- Appendix 1 – Internal Audit Dashboard
- Appendix 2 - Internal Audit Current Programme of Work (Q1)

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