

Committee(s)	Dated:
Audit and Risk Management Committee	28 April 2015
Subject: Internal Audit Update Report	Public
Report of: Head of Internal Audit and Risk Management	For Information

Summary

This report provides an update on internal audit activity since the Committee met on 8th December 2014. This report sets out the independent opinion of the Head of Internal Audit in relation to the adequacy and effectiveness of the control environment for those areas of internal audit work concluded since the last update report to Committee.

The outcomes from the 12 full and mini assurance audit reviews finalised since the last update are reported and significant risk issues highlighted. Three finalised audit reviews resulted in Red or Amber assurance ratings, which indicate there are significant audit findings that require mitigation and focused action by management. These being; City Police – IT PBX Resilience (Red Assurance); City Police – IT Disaster Recovery (Red Assurance); and Market & Consumer Protection - Trading Standards (Amber Assurance).

As at the end of March 2015, completion of the 2014/15 internal audit plan is at 90% which meets the expected 90% completion rate as per the target.

A good level of performance is being maintained by the internal audit function, however, improvement is needed to ensure reports are consistently issued in a timely manner. Furthermore, we need to work with management to ensure that responses to draft reports are received by the target deadlines.

Recommendation(s)

Members are asked to note the update report.

Main Report

Background

1. This report provides an update on internal audit activity since the Committee met on 8th December 2014. It sets out the independent opinion of the Head of Internal Audit in relation to the adequacy and effectiveness of the control environment for those areas of internal audit work concluded since the last update report to Committee.

Current Position

2. Since the last update report to the Audit and Risk management Committee on 8th December 2014, twelve full and mini assurance audit reviews have been finalised. Three of these reviews resulted in Red or Amber assurances. Further details of these reports are provided in **Appendix 1**.
3. In addition to the Red and Amber reports a further nine internal audit reviews identified in **Appendix 2** have been finalised and reported with a green assurance rating.

Audit Work Delivery

4. Completion of the 2014/15 audit plan to draft report stage was 90% at the end of March which matches the performance target.
5. It has been concluded that 100% of the plan that will be delivered by the end of April 2015, in advance of providing the Head of Internal Audit Annual Opinion.

Internal Audit Section Performance

6. In summary, the performance levels of implementing audit recommendations as assessed by formal follow up reviews have been maintained. Performance of delivering draft and final reports has fallen short of targeted time from completion of fieldwork to an extent. This is as a result of; the focus on delivering the internal audit plan and, therefore not prioritising the tracking of responses to draft reports and turning around final reports; as well as a small number of reports requiring a higher level of engagement with management to address weaknesses identified. This will be addressed during the delivery of the 2015/16 plan by centralising monitoring records, which will provide a more robust tracking and report finalisation process. Furthermore, this performance indicator will become two going forward to report on response time taken by management and the time taken by internal audit to finalise reports. Satisfaction survey results remain positive, although there is an intention to encourage more auditees to provide feedback by developing a survey that can be completed electronically. A summary of the performance against the Internal Audit Key Performance Indicators can be found at **Appendix 3**.

Internal Audit Programme

7. Members at the last meeting also requested a mapping exercise be performed to demonstrate how the proposed 2015/16 coverage reported at the November 2014 committee mapped to the agreed internal audit plan presented at the February 2015 committee. The results can be found at **Appendix 4**.

Conclusion

8. 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 need focused improvement by management as identified in Red or Amber reports highlighted to the Committee during the course of the year.

Appendices

- Appendix 1 – Details of red and amber assurance review
- Appendix 2 – Finalised internal audit green assurance reviews
- Appendix 3 – Internal audit function performance
- Appendix 4 – Mapping exercise

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