

Committee:	Date:
Audit and Risk Management Committee	13 September 2016
Subject: Internal Audit Update Report	Public
Report of: Head of Audit and Risk Management Report author: Pat Stothard – Head of Audit and Risk Management	For Information

Summary

This report provides an update on internal audit activity since the last Committee report made at the June 2016 meeting. It also sets out the overall 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 opinion is that the overall internal control environment is adequate and effective although some areas require strengthening.

The outcomes of the internal audit work finalised since the last Committee are summarised in Appendix 1. Fifteen assurance reviews have been finalised since the last report to the Committee. There were two Red audits finalised in relation to City of London Police Fuel Cards and Chamberlain's Wi-Fi Security and Operations. Six audits resulted in Amber assurance opinions and seven in Green opinions. Both Amber and Green opinions represent adequate control environments.

As at 19 August 2016, 26.5% of the 2016-17 internal audit plan had been completed to draft report stage, together with a number of audits at work in progress and planning stage, against a profiled target of approximately 35% at the midway point of Quarter 2. The internal audit plan is on target to be completed by 31 March 2017.

The six monthly programme of follow up work is underway, with many recommendations followed up and draft status findings are being considered by Chief Officers and management teams to confirm progress.

Recommendation

- That this report is noted.

Main Report

Background

1. This report sets out internal audit activity since the last report to Committee and the opinion of the Head of Audit and Risk Management in relation to the adequacy and effectiveness of the control environment.

Current position

2. The outcomes of the internal audit work finalised since the last Committee have been reported to Members through our Members Briefings. A summary of the outcome of our audit work can be seen in **Appendix 1**. Fifteen assurance reviews have been finalised since the last report to the Committee. There were two Red audits finalised in relation to City of London Police Fuel Cards and Chamberlain's Wi-Fi Security and Operations. Six audits resulted in Amber assurance opinions and seven in Green opinions. Both Amber and Green opinions represent adequate control environments.
3. In addition to the assurance reports, a further audit has been completed on the Sir John Cass School – Financial Value Standard which has been completed with a satisfactory outcome.
4. The Red recommendation arising from the Fuel Cards audit related to a lack of monitoring in place for the fuel cards contract:

Recommendation: The responsibility for the monitoring of the AllStar fuel card contract in relation to the City of London against the performance indicators defined in the contract should be allocated to an appropriate member of staff. Regular contract monitoring reports should be prepared and provided to an agreed senior monitoring officer accordingly. Appropriate service credits (section 5, paragraphs 5.4 & 5.5 of the Call Off contract) should be applied where relevant.

Management accepted the recommendation and the CoLP Fleet Manager has confirmed that he is now monitoring the performance of the AllStar Ltd fuel card contract in relation to the CoLP.

5. The Red recommendation arising from the Wi-Fi audit related to patching and ongoing network support. Wireless access points and controllers that made up the wireless network were classified as 'end of life' and unpatched and were in the process of being replaced. The management response was as follows:

"Corporation will be progressing replacement of the Wi-Fi service over the coming 12 months. Although this means we will not be able to address this risk within the usual 1 month time limit we will update audit on a quarterly basis. IT Division will investigate options for additional mitigation. A number of the services on the Wi-Fi infrastructure have now been migrated to the new Open Mediated

Wi-Fi service we have procured from O2. Target Implementation Date: 13th August 2017.

Currently, the Open Mediated Wi-Fi service has gone live, and the replacement of the Wi-Fi service is currently in design and is on target to complete by the target date.

6. Beyond these issues, there are no fundamental control failings that need to be brought to the attention of Members from our work since the previous Committee.

Internal Audit Section Performance and Delivery

7. Performance levels against KPIs continue to be generally good, although steps are being taken to improve the performance of delivery and there is a renewed focus within the team on quality of audit reports. The input of a number of key stakeholders is being sought to feedback on potential improvements. Completion of the 2016/17 audit plan to at least draft report stage was 26.5% as at 19 August 2016, with a number of audits at work in progress and planning stage, against a profiled target of approximately 35%.

8. Details of performance levels against targets are set out below:

Performance Indicators

Performance Measures	Target	Actual
1 Completion of audit plan	95% of planned audits completed to draft report stage by end of plan review period (31 March 2017)	26.5%
2 Timely production of draft report	Average time taken to issue draft reports within 28 days of end of fieldwork i.e. exit meeting date.	20 days
3 Timely response to draft report	Average time taken to obtain a full management response within 28 days of the draft report being issued.	27 days
4 Timely issue of final report	Average time taken to finalise the review within 7 working days on full response from management	6 days
5 Customer satisfaction	Through key question on post audit surveys – target 90%	100%
6 Percentage (%) of audit section staff with relevant professional qualification	Target 75%	78%

Implementation of Audit Recommendations

9. The six monthly programme of follow up work is underway, with many recommendations followed up, and draft status findings of implementation are being considered by Chief Officers and management teams to confirm progress.

The outcomes of the implementation of recommendations will be reported once this work has been completed.

Conclusion

10. 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 – Audit report final reports for 2015/16 and 2016/17, and Internal Audit plan progress report for 2016-17

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