

Committee:	Date:
Audit and Risk Management Committee	28 th November 2017
Subject: Internal Audit Update Report	Public
Report of: The Head of Audit and Risk Management Report author Jeremy Mullins – Audit Manager	For Information

Summary

This report provides an update on internal audit activity since the last Committee report to the July 2017 meeting.

Since the last report to the Committee 19 audits have been finalised for both 2016-17 and 2017-18. Two audits were given a Red Assurance: CoLP Seized Goods (2017-18 audit plan); and CoLP Programme Management (2017-18 audit plan). Amber Assurance ratings were given to 12 audits. The remaining 5 audits received Green Assurance ratings. Work on the 2017-18 internal plan is progressing, 25% of the plan has been completed to a minimum of draft report stage. Fieldwork is on-going for a further 25% of the annual plan.

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 Member Briefings. All work on the 2016-17 internal audit plan has been completed to a minimum of draft report stage. Full details of plan progress for 2016-17 are included within **Appendix 1**.
3. Work on the internal audit plan 2017-18 is progressing, 25% of the plan has been completed to a minimum of draft report stage. Fieldwork is on-going for a further 25% of the annual plan three audits have been completed to Final Report stage. Chamberlain's Council Tax & NNDR; CoLP Programme Management; and CoLP Seized Goods. Two audits were given a Red Assurance rating. Seven audits have been completed to Draft Report stage and the fieldwork for seven further reviews has been progressed to fieldwork stage. Full details of plan progress for 2017-18 are included within **Appendix 2**.

4. A number of audits have not progressed from draft report stage since the July 2017 update report. In order to overcome delays in finalising audit reports, Internal Audit are working with departmental managers to address the above issues in the following ways;
- Improved identification of all key contacts for each audit during the audit planning process.
 - Preparing more developed details of audit scope and objectives when the audit plan is agreed with Chief Officers, so that contact can be made with appropriate departmental staff at an earlier stage in the audit fieldwork.
 - Working more closely with departmental audit liaison officers in arranging meetings with relevant staff and coordinating the timings of audits.

City Police Programme Management (Red Assurance)

5. Four CoLP projects were examined as part of this audit:
- CoLP Accommodation Project
 - Action Know Fraud
 - Police ID Crime
 - Ring of Steel.
6. The complexity of the CoLP Accommodation Programme was not adequately described when initial funding approval was sought. The application for funding appears to have been considered as a bid for a single project, rather than a number of projects within a programme. The nature of projects or emerging issues necessary to achieve the overall accommodation programme have changed over time, as well as the need to undertake additional projects. Recommendations have been raised to identify project areas within budget estimates rather than overarching programme budget approval/.
7. Communication between the CoLP and the City Surveyor's department has been cited by management as an area of concern, leading to possible inefficiencies. This has been particularly evident in relation to establishing the protocols for disclosing sensitive or restricted information. It has been recommended that a protocol for communication is drafted which will enable improved information sharing.
8. The City's Project Gateway process has proven to create difficulty in the timely approval of funds. This is particularly pertinent to approval for the draw down from funds, which has already been approved, or granted by third parties, for example, the Home Office. It has been recommended that the Town Clerk considers the application of gateway approval, in particular where funding has previously been approved, or is provided by third parties such as the Home Office via specific grant funding.
9. Two Red rated and eight Amber rated recommendations were made for this audit and agreed with the Commissioner and Town Clerk.

City Police Seized Goods (Red Assurance)

10. There is scope for control improvement in relation to the policies, procedures and training provided to staff regarding seized property management. Three amber priority recommendations have been raised to address the issues identified regarding an update to the property procedure manual, the need for departmental policies and procedures where property is managed outside of the property department and the provision of training.
11. Audit sample testing identified that there is clear scope for control improvement in regard to the initial seizure and recording of seized goods on the property management system. Two red priority recommendations have been raised to ensure that there are accurate storage locations on the property management system and that there is a complete record of property held. Four amber priority recommendations have been raised in relation to the recording of accurate property information, the packaging of seized cash, providing updates on the property management system and reviewing property assigned the status of 'awaiting entry' on the system.
12. Clear and adequate security arrangements are in place over the safe and storage locations retaining seized goods. However, there is scope for control improvement in relation to the storage and safe locations on the system and the awareness of safe insurance values. An amber priority recommendation has been raised relating to the communication of safe insurance values.
13. On the basis of audit testing performed, there is a weakness in control in the transportation of seized goods. A red priority recommendation has been raised regarding the tracking of item locations on the property management system.
14. Audit sample testing confirmed that there is clear scope for control improvement in relation to the disposal of seized property. Three amber priority recommendations have been raised on cash counting policy, a witness for all disposals and a spot check of processed disposals.
15. An amber priority recommendation has been raised to ensure that an appropriate safe audit regime is in operation for all safes to identify any breaches of agreed procedure and to confirm seized goods retained

Internal Audit Section Performance and Delivery 2016-17

16. Performance levels against KPIs continue to be generally good, and the team has achieved the annual target of audits completed to draft report stage for 2016-17. The 2016-17 plan has been fully completed to a minimum of draft report stage.
17. Details of performance levels against targets for 2016-17 are set out below:

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)	100%
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.	23 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.	25 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%	<5 responses received
6 Percentage (%) of audit section staff with relevant professional qualification	Target 75%	78%

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Internal Audit Performance and Delivery 2017-18

16. Performance levels against KPIs for 2017-18 indicate that by the end of Quarter 25% of the plan has been completed to a minimum draft report stage. A further 25% of the plan has been progressed to fieldwork stage. The audit plan completion profile for Quarter 2 was 35% and there has been some delay in starting audit work due to agreeing audit timings with Chief Officers. It is anticipated that ground will be made up during Quarter 3 given the current amount of work in progress.

Conclusion

17. 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 Amber reports highlighted to the Committee in Member Briefings.

Appendices

Appendix 1 Internal Audit Plan Schedule of Projects 2016-17

Appendix 2 Internal Audit Plan Schedule of Projects 2017-18

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