

<b>Committee:</b>	<b>Date:</b>
Audit and Risk Management Committee	17 <sup>th</sup> July 2018
<b>Subject:</b> Internal Audit Update Report	<b>Public</b>
<b>Report of:</b> The Head of Internal Audit and Risk Management	<b>For Information</b>

## Summary

This report provides an update on internal audit activity since the report to the March 2018 Committee meeting.

Work on the 2017-18 Internal Audit Plan is progressing: 97% of the plan has been completed to a minimum of draft report stage and fieldwork is on-going for the remaining 3% of the annual plan.

Delivery is underway in respect of the 2018-19 Internal Audit Plan.

## Recommendation

- That this report is noted.

## Main Report

### Background

1. This report sets out internal audit activity since the March 2018 Internal Audit Update Report and the opinion of the Head of Audit and Risk Management in relation to the adequacy and effectiveness of the control environment.

### Internal Audit Delivery 2017-18

2. Work on the Internal Audit Plan 2017-18 is progressing, 97% of the plan (58 audits) has been completed to a minimum of draft report stage and fieldwork is on-going for the remaining 3% (2 audits). Full details of plan progress for 2017-18 are included within **Appendix 1**.
3. Twenty-five audits have progressed to Final Report stage since the March 2018 meeting, comprising four red assurance reviews, sixteen amber assurance reviews, four green assurance reviews and a corporate follow-up exercise which does not result in an overall assurance rating. Additionally, twenty-one audits have been progressed to Draft Report stage since the last Internal Audit Update Report.
4. Member Briefings have been circulated in respect of finalised audits and contain assurance rating information, details of the key conclusions and high priority recommendations arising from the audit, as well as the accompanying management responses. Additionally, summary outcomes are shown below for

the twenty-five audits finalised since the March 2018 meeting of this Committee. The following table sets out the assurance rating and a breakdown of the number of recommendations made by priority for these audits.

<b>Audit</b>	<b>Assurance</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
Corporate: Sub £100k Tenders	Amber	0	4	2	6
Corporate: GDPR – Gap Analysis	Green	0	5	0	5
Corporate: Follow-Up Exercise	N/A	-	-	-	-
Town Clerk: Member & Officer Declarations	Red	1	7	3	11
Town Clerk: Starters & Leavers	Amber	0	9	3	12
Chamberlain: Medium Term Financial Planning	Green	0	1	1	2
DCCS: Academies	Amber	0	2	1	3
DCCS: Welfare Reform	Amber	0	5	1	6
DCCS: Housing Rents	Amber	0	5	6	11
DCCS: Barbican Estate Rents	Amber	0	2	4	6
City Surveyor: Guildhall Complex Performance	Amber	0	2	0	2
Open Spaces: Cemetery & Crematorium	Green	0	0	5	5
M&CP: Seized Goods	Amber	0	6	2	8
CoLP: Demand Policing & Event Resourcing	Amber	0	1	0	1
CoLP: Business Continuity Planning	Amber	0	6	1	7
CoLP: Freedom of Information Requests	Red	1	3	4	8
Barbican: Visitor Experience (Strategic Goal)	Amber	0	5	5	10
Barbican: Retail & Bars	Red	1	9	1	11
Barbican: Cash Handling	Amber	0	4	1	5
Barbican: Equalities & Inclusion	Amber	0	10	4	14
Guildhall School: Data Quality	Green	0	2	3	5
Guildhall School and Barbican: Catering (including Student Bar)	Red	2	3	1	6
City of London School: Financial Management	Amber	0	5	2	7
CLFS: Health and Safety	Amber	0	2	1	3
CLFS: Income Generation	Amber	0	2	2	4
	<b>TOTAL</b>	<b>5</b>	<b>100</b>	<b>53</b>	<b>158</b>

5. The five red priority recommendations, all of which were agreed by management, relate to the following areas:

Town Clerk: Member and Officer Declarations

- Development and cascade of central directives, guidance and monitoring arrangements in respect of Officer declarations of interest to ensure compliance with the corporate Code of Conduct for employees.

City of London Police (CoLP): Freedom of Information (FOI) Requests

- Establishing the reasons for non-completion of FOI requests by the deadline dates and developing an action plan to address non-compliance. Agreeing a course of action to address the Force Information Bureau's inability to provide required information in line with the Information Commissioner's Office guidelines. Improving resilience within the FOI process to ensure that staff absence / turnover does not impact completion timescales for information requests.

### Barbican: Retail and Bars

- Review of the arrangements for identification of the need for stock, ordering and receipting of Bars stock to ensure that an appropriate separation of duties is maintained.

### Guildhall School and Barbican: Catering (including Student Bar)

- Ensuring that contracts and supporting documentation, for example service specification and tender submissions, are available to contract managers and form the basis of contract management activity.
  - Prompt resolution of disagreement over the outcome of external Health and Safety inspections. Additionally, maintenance of clear records to reflect the progress of implementation of high priority Health and Safety recommendations to enable their status to be easily determined, including the details of any actions not prioritised and justification for this.
6. All high priority (red and amber) recommendations are subject to internal audit follow-up and implementation progress will be reported to the September 2018 meeting of this Committee, once the next corporate follow-up exercise has been completed.

### **Internal Audit Section Performance and Delivery 2017-18**

7. Performance against internal audit key performance indicators is summarised in Appendix 1 and demonstrates achievement of the annual target of audits completed to draft report stage for 2017-18. Opportunities have been identified to reduce both the time taken to issue draft reports following fieldwork completion and to obtain management responses following draft report circulation; the Internal Audit Team are focused on making improvements in this area, to include further engagement work with client departments.

### **Internal Audit Delivery 2018-19**

8. Delivery of the 2018-19 Internal Audit Plan is underway following extended client consultation with a number of departments, as set out below:
- CoLP – the Chamberlain and Assistant Commissioner of the CoLP have agreed that the audit programme will be reviewed in order to ensure that resources are utilised effectively. This review will be informed by a full compliance audit of the CoLP key financial systems, scheduled for July 2018, following concerns raised about the year-end/close down processes.
  - Guildhall School of Music and Drama – the detailed internal audit planning process has taken place later in the year than has previously been the case to enable the Principal and the Senior Leadership Team to hold an in-house session focused on identifying potential audit coverage linked to the School's Strategic Plan. The School's detailed audit plan for 2018-19, as reported previously to this Committee, has since been agreed.

- Chamberlain's IT – planned audit coverage for 2018-19 has recently been agreed following input from Agilisys to identify key auditable areas. Additionally, the impact of previous audit work outputs on audit plan proposals has been considered to assist prioritisation of coverage.
  - Community and Children's Services Department, City Surveyor's Department and the Barbican Centre – Chief Officer / senior management feedback has recently been received on audit plan proposals, including potential areas of focus within the scope of agreed audits, preferred timing and key contacts. Audit assignment planning is underway.
9. The impact of this extended consultation has been delay in initiation of audit assignments. Planned internal audit activity for 2018-19 includes relaunch of the Internal Audit Protocol to: reiterate the audit planning approach, promote proactive input from Senior Leadership / Management Teams and encourage greater engagement across all levels of client departments.

### **Recommendations Implementation**

10. The May 2018 meeting of this Committee received an internal audit report on the outcome of a follow-up exercise focused on high priority (red and amber) recommendations due for implementation by 30<sup>th</sup> April 2018. As part of this exercise Internal Audit sought status updates from recommendation owners and requested evidence of implementation progress for audit examination. Internal Audit resource input to corporate follow-up arrangements has increased from 2017-18 onwards due to the number of high priority recommendations raised and more frequent detailed reporting to this Committee and others with a remit for overseeing internal audit activity.
11. There has been progress in rolling-out the internal audit recommendations tracking software to client areas and participation has expanded recently from the initial pilot exercise in Chamberlain's IT to include the Barbican Centre, the Guildhall School of Music and Drama, and the Community and Children's Services Department. The next corporate follow-up exercise in respect of high priority recommendations will focus on those due for implementation by 31<sup>st</sup> July 2018 to enable the outcome to be reported to the September meeting of this Committee.

### **Conclusion**

12. 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 Member Briefings circulated to members of this Committee.

### **Appendices**

Appendix 1 Internal Audit Plan Schedule of Projects 2017-18

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