

Committee:	Date:
Audit and Risk Management Committee	6 th November 2018
Subject: Internal Audit Update Report	Public
Report of: Head of Audit and Risk Management	For Information

Summary

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

Work on the 2017-18 Internal Audit Plan has been completed to a minimum of draft report stage.

Delivery is underway in respect of the 2018-19 Internal Audit Plan. There are currently 72 audits in the plan: fieldwork for 31 (43%) of these is currently in progress; eight (11%) draft reports have been issued; and four (6%) final reports have also been issued.

Recommendation

- That this report is noted.

Main Report

Background

1. This report sets out internal audit activity since the July 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 has been completed to a minimum of draft report stage. Full details of plan progress for 2017-18 are included within **Appendix 1**.
3. Twenty audits have progressed to Final Report stage since the July 2018 meeting, comprising two red assurance reviews, eleven amber assurance reviews, seven green assurance reviews. In addition, a corporate follow-up exercise has been completed which does not result in an overall assurance rating.
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 audits finalised since the July 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.

Audit	Assurance	Red	Amber	Green	Total
EMERGENCY PLANNING	AMBER	0	1	0	1
PROCUREMENT CONSULTATION WITH STAKEHOLDERS	AMBER	0	2	2	4
IT – INFORMATION MANAGEMENT (DATA STORAGE MANAGEMENT)	AMBER	0	4	0	4
IT – CYBER SECURITY – MALWARE PROTECTION	GREEN	0	0	4	4
IT INFORMATION SECURITY – INCIDENT MANAGEMENT	AMBER	0	4	4	8
IT SOCIAL MEDIA (HORIZON SCANNING)	GREEN	0	0	2	2
IT ORACLE APPLICATION	AMBER	0	3	1	4
IT CONTRACT MANAGEMENT	GREEN	0	0	1	1
HOUSING ALLOCATIONS LETTINGS AND VOIDES	AMBER	0	3	0	3
DCCS FINANCIAL ASSESSMENTS	AMBER	0	4	4	8
SIR JOHN CASS SCHOOL INCOME	AMBER	0	4	2	6
DCCS COMMUNITY CENTRE REVENUE	RED	1	6	1	8
SERVICE BASED PROPERTY CONTRACTS	AMBER	0	3	4	7
HIGHWAYS FOOTPATH REPAIRS	GREEN	0	0	0	0
TFL LOCAL IMPLEMENTATION PLAN	GREEN	0	0	0	0
HIGHWAYS ASSETS REGISTER	GREEN	0	1	2	3
CONSUMER PROTECTION ENFORCEMENT	AMBER	0	2	1	3
MARKETS FRAUD RISK	AMBER	0	4	5	9
FUNCTIONS & GUILDHALL LETTINGS	GREEN	0	0	0	0
POLICE BANK ACCOUNTS	RED	2	1	2	5
HEALTH & SOCIAL CARE INTEGRATION	AMBER	0	3	0	3
	TOTAL	3	44	31	78

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

DCCS Community Centres

The Head of Estates should:

- (i) Ensure that a new licence agreement is put in place for the long term let of the community centre at Sydenham Hill, as a matter of priority;
- (ii) Ensure that the terms of the new licence agreement are approved by Senior Management and if required, Members;
- (iii) Instigate arrangements for renewing licences as they near expiry; and
- (iv) Reconcile the rent due per the licence agreement with rent received on an annual basis to ensure that rent due is collected in full.

City Police Defendants Bank Accounts

The Police bank accounts for defendants' and 'found' funds should be reconciled monthly to ensure that all amounts are accounted for in full.

Reconciliation of balance sheet entries related to defendants' funds should be completed at the earliest opportunity and amounts released as appropriate.

Internal Audit Delivery 2018-19

6. Delivery of the 2018-19 Internal Audit Plan is progressing. There are currently 72 audits in the plan: fieldwork for 31 (43%) of these is currently in progress; eight (11%) draft reports have been issued; and four (6%) final reports have also been issued. Full details of plan progress for 2018-19 are included within **Appendix 2**.
7. 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 four audits finalised in 2018-19 to date. The following table sets out the assurance rating and a breakdown of the number of recommendations made by priority for these audits.

Audit	Assurance	Red	Amber	Green	Total
GUILDHALL CLUB ACCOUNT	GREEN	0	0	0	0
PERFORMANCE MEASURES	AMBER	0	2	2	4
IT CHANGE MANAGEMENT	AMBER	0	1	1	2
MANSION HOUSE CATERING CONTRACT	AMBER	0	5	0	5
	TOTAL	0	8	3	11

8. The Audit Plans for the City of London Police and the Multi Academy Trust are currently being discussed with officers and audit work will commence on finalisation of those plans.
9. 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. The Internal Audit Team continue to be focused on making improvements in turnaround times with closer engagement with client departments.

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, particularly in police force financial management, 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

Appendix 2 Internal Audit Plan Schedule of Projects 2018-19

Pat Stothard, Head of Audit and Risk Management

T: 020 7332 1299

E: Pat.Stothard@cityoflondon.gov.uk