

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	23/03/2021
<b>Subject: Internal Audit Progress Report</b>	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of: Head of Audit and Risk Management</b>	<b>For Information</b>
<b>Report author: Matt Lock</b>	

### Summary

This report provides an update on Internal Audit activity since the last Internal Audit Update Report presented to this Committee in January 2021. The report summarises work completed and progress against the 2020/21 Internal Audit Plan. Delivery of which has been indirectly impacted by the Coronavirus pandemic.

Finally, the report describes the findings of Audit follow-up work completed to verify the implementation of Audit recommendations.

### Recommendation(s)

Members are asked to:

- Note the report.

### Main Report

#### Background

1. This report provides a cumulative update on the work of Internal Audit since 1 April 2020, building on the progress report made to the last update provided to the Audit and Risk Management Committee on 13 January 2021. The report also summarises the findings of work completed since the January update.

#### Current Position

2. 5 Final Audit Reports have been issued since the January update, bringing the total to 38 since 1 April 2020. 3 Amber Assurance ratings were given, 2 Green Assurance ratings and no Red Assurance Ratings. Those audit reviews are summarised in the table below:

Department/Audit	Assurance Rating	Recommendations Made		
		Red	Amber	Green
Barbican Centre - Facilities Management	Amber	0	13	1
Barbican Centre - Security	Amber	0	4	2
Corporate HR - Gender/Equalities Pay Gap Reporting	Amber	0	3	1
Corporate Wide - Climate Action/Air Quality	Green	0	0	0
Town Clerks - Social Media	Green	0	0	1

3. Appropriate management action plans are in place to address recommendations made. Briefings on the above have been circulated to Members of the Committee.
4. While the Internal Audit Update usually focusses on Final Audit Reports issued, there is one item to include that is, at the time of writing, at Draft Report stage, although expected to be finalised by the time this Committee meets. A brief summary of the findings of this Audit review is set out below, with a more detailed summary circulated separately to Members:

#### Operational Property Management – Repairs and Maintenance (Amber Assurance)

5. This Internal Audit review was been undertaken to assess the adequacy of arrangements in place for effective management of operational property, in particular; the identification, prioritisation and execution of planned/routine maintenance work, reactive maintenance work and longer term improvement/upgrade works, and the effectiveness of wider governance arrangements in relation to operational property management.
6. The Audit identified that:
  - The approach to managing operational property repairs & maintenance is inconsistent across departments
  - Roles and responsibilities are not consistently understood, we cannot be confident that an appropriate Chief Officer is actively managing each operational property asset, particularly where there are shared maintenance responsibilities.
  - As a result of the division of responsibilities between some departments and the City Surveyor, there is no “master list” of all repairs and maintenance requirements and so no single point of oversight for ensuring that properties are maintained to a good standard
  - Corporate Assets Sub-Committee is not receiving all necessary information to ensure that it is able to meet its full remit in relation to oversight of the entire operational property portfolio
  - The City’s financial budget defines what R&M work is undertaken, the disaggregation of budget and Chief Officer control can result in “local” choices being made, particularly in relation to ring-fenced property

- The current arrangement (shared responsibility) gives rise to confusion, duplication of effort and gaps in meeting a consistent standard and inhibits a clear understanding of accountabilities at Chief Officer level.

## Delivery of Planned Internal Audit Work

7. In addition to the finalised audits referred to above, work is in progress for 28 planned audit reviews, 21 of which are substantially complete (including 11 at draft report stage). As previously reported, there have been a greater number of reviews simultaneously in progress than would ordinarily be the case, reflecting the response to the COVID-19 Pandemic. At this point in the year, however, this is consistent with the spike of activity as remaining work is brought to a close at year-end. Overall Audit Plan delivery is summarised in the table below:

2020/21 Audit Plan Delivery				
Audit Review Status		Count	Percentage of Count	Audit Days
Work in Progress	Final Report	38	53%	235
	Draft Report	11	15%	144
	Fieldwork Complete	1	1%	10
	Fieldwork in Progress	9	13%	107
	Terms of Reference Issued	7	10%	86
	Planning	3	4%	33
Not started		3	4%	43
<b>Total</b>		<b>72</b>	<b>100%</b>	<b>658</b>
Notes: reflects amendments to plan				

8. I am fully confident that the team will complete sufficient work to be able to inform the Head of Audit Annual Opinion, anticipating that 90% of the Audit Plan will be completed to at least draft report stage.

## Internal Audit Follow-up Activity

9. Since the January update, follow-up reviews have been undertaken in relation to 9 Internal Audit Reviews to assess progress in the implementation of Audit recommendations. The outcome of those reviews is summarised below:
- In 3 cases, all recommendations were found to be implemented, resulting in a Green revised assurance opinion (one of which was a second follow-up review)
  - In 2 cases, there was one recommendation where mitigating action was not fully complete, Green revised assurance opinions were provided

- In 3 cases the follow-up review found that progress in recommendation implementation was not in accordance with the target dates provided by management, subsequent follow-up reviews will be undertaken
- There are no issues to escalate to Committee at this time

10. The table below shows the summary of outcomes from follow-up activity:

Department/Audit	Original Assurance Rating	Total Outstanding Recs	Revised Assurance Rating
Barbican Centre - Fraud Risk Management	Amber	0	Amber
City of London Police - Front Desks	Amber	2	Amber
Aldgate School - Child and Family Centre	Green	0	Green
City of London School - Cyber	Amber	0	Green
City of London Freemens School - Cyber	Amber	0	Green
City of London School for Girls - Cyber	Amber	1	Green
City Surveyors - Cyber	Amber	0	Green
Community and Children's Services	Amber	2	Amber
Markets and Consumer Protection - HARC and Animal Welfare	Amber	0	Green

## Corporate & Strategic Implications

11. The Internal Audit Plan is designed to provide assurance as to the adequacy of the City of London Corporation's systems of internal control and governance. This programme of activity is aligned with the Corporate Plan, Corporate Risk Register and Departmental Top Risks.

## Conclusion

12. After initial delays to the delivery of work against the 2020/21 Internal Audit Plan as a result of the COVID-19 pandemic, Internal Audit work continues to progress at pace. The Head of Audit and Risk Management is confident that sufficient work will be completed this year to inform the Annual Opinion.

## Appendices

- None

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