

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	13/07/2021
<b>Subject: Internal Audit Update</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 in the current municipal year. The report summarises work completed and progress against the 2021/22 Internal Audit Plan. Delivery of which is progressing well with almost 25% of planned audit reviews completed to at least draft report stage and a further 25% in progress at various stages.

This report also provides Members with some further information in relation to the methodology for determining assurance ratings for completed audit reviews, as discussed at the May meeting of the Committee.

### **Recommendation(s)**

Members are asked to:

- Note the report.

### **Main Report**

#### **Background**

1. This report provides an update on the work of Internal Audit since 1 April 2021, covering progress against the 2021/22 Internal Audit Plan and an overview of the outcomes from completed work.

#### **Current Position**

2. 13 Final Audit Reports have been issued since 1 April 2021, note that this includes work carried over from the 2020/21 Internal Audit plan. 6 Green Assurance ratings were

given, 7 Amber 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 - Ticketing System	Amber	0	5	1
Built Environment - Building Control and Planning Income and Expenditure	Green	0	1	0
Chamberlain's - Development of a Corporate Finance Strategy - Debt Financing	Green	0	0	0
Chamberlain's - Corporate Contract Management	Amber	0	3	2
City of London Police - Cyber Security	Green	0	2	2
City of London Corporation - Cyber Security	Amber	0	1	5
Community and Children's Services - Housing Fire Safety	Amber	0	6	1
Community and Children's Services - Social Care Contract Monitoring	Amber	0	7	0
Corporate-Wide - P-Cards	Green	0	3	10
Open Spaces Department - Wayleaves	Amber	0	7	3
Built Environment - Gigabit City*	Green	0	2	4
City Surveyors - Rents, Lettings and Vacancies*	Amber	0	2	2
Chamberlain's - Supplier Resilience*	Green	0	1	0

\* Included in May Committee Update and Member Briefings

- Appropriate management action plans are in place to address all recommendations made. Briefings on the above have been circulated to Members of the Committee.

### Internal Audit Follow-up Activity

- Focus in the first quarter of the year has been on initiating and delivering work against the 2021/22 Internal Audit Plan and, as such, no follow-up work has been undertaken during this period. There are, consequently, no outcomes to report as part of this update.

### Rationale for Determining Assurance Ratings

- In response to a question and following discussion at the previous meeting of this Committee, Members requested some further clarity as to the rationale and criteria considered in forming an assurance opinion for completed audit reviews. While the process is largely subjective, being based significantly on the knowledge, experience and professional judgement of the Auditor, Audit Manager and the Head of Audit and Risk Management, there are some criteria that support this:
  - Materiality of the service, system or process under review** – this may be financial, reputational, strong links to organisational priorities or critical safety issues. Weaknesses identified in a more critical or material system are more likely to drive an adverse assurance rating, although the aim is to balance the

assurance rating in the context of the system (criteria iii. applies) and so lower priority systems may still receive a red or amber assurance.

- ii. **Organisational context** – related to above, there is a consideration as to what else may be occurring in the organisation or the sector and wider world and how this may influence outcomes or sensitivity to increased risk.
- iii. **Cumulative impact of individual weaknesses** – the number of weaknesses identified and the spread of these across red, amber and green recommendations will influence the assurance rating, but must be balanced against i and ii.
- iv. **Time to act** – the greater the urgency to address a weakness, the more likely a red assurance will be given, although it should be noted that some of the more significant issues raised may be more complex to resolve and so a red assurance opinion does not necessarily mean that action will or can always be swift.
- v. **Escalation** – an overarching factor, whereby the findings of a review are considered by the Head of Audit and Risk Management to be significant enough to require closer attention of the Audit and Risk Management Committee.

6. Broadly speaking, the assurance ratings can be defined as:

- **Green** – assurance that the systems of internal control can be relied upon to support the delivery of objectives
- **Amber** – the systems of internal control are only partially effective or; while the systems of internal control are effective in design, they are only partially effective or not effective in operation. There is an increased risk of fraud, loss or error or failure to achieve objectives.
- **Red** – there is a significant risk of fraud, loss or error or failure to achieve objectives or this has already occurred: limited or no assurance as to the adequacy of the internal control environment.

## **Corporate & Strategic Implications**

7. 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**

8. Delivery of work against the 2021/22 Internal Audit Plan is progressing well, there are no adverse findings to draw attention to from work completed so far this year.

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