

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	05/10/2021
<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 since the last update provided to the July meeting of this Committee. The report summarises work completed and progress against the 2021/22 Internal Audit Plan, delivery of which is, overall, progressing albeit with a smaller number of reviews completed to Final Report stage in quarter 2 than quarter 1.

Work undertaken to evaluate recommendation implementation has found that satisfactory action has been taken by management to address the issues raised.

### 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 the July Committee, covering:
  - Progress against the 2021/22 Internal Audit Plan
  - An overview of the outcomes from completed Internal Audit reviews
  - Outcomes from follow-up reviews undertaken to evaluate the effectiveness of previously raised Audit recommendations

#### 2021/22 Internal Audit Plan Delivery

2. 4 Final Audit Reports have been issued since 1 July 2021, 2 Green Assurance ratings were given, 2 Amber Assurance ratings and no Red Assurance Ratings. A total of 17 Final Audit reports have now been issued since 1 April 2021. The overall outcomes from the recently completed Audit reviews are summarised in the following table:

## Overview of Completed Audit Work

Department/Audit	Assurance Rating	Recommendations Made		
		Red	Amber	Green
Built Environment - Waste Collection Income and Expenditure (2020/21)	Green	0	1	0
Community and Children's Services - Unregulated Placements - Children (2020/21)	Amber	0	5	0
City Bridge Trust - Grants Administration and Compliance with Strategy (2020/21)	Green	0	0	4
Guildhall School of Music and Drama -Universities UK Return	Amber	0	7	5

3. At the time of writing this report, there are 6 Audit reviews at Draft Report stage, 2 reviews with fieldwork complete and work is in progress at various stages for a further 9 reviews. The outcomes of which will be reported within the next progress update, along with any other completed work.
4. Members should also note that the Internal Audit team is making good progress in delivery of work in relation to the provision of Internal Audit Services to both London Councils and the Museum of London. While not within the remit of this Committee, it is important to note that the resources of the team must be balanced to include this wider commitment (collectively 8 -10 Audit reviews each year).

## Internal Audit Follow-up Reviews

5. Formal Internal Audit follow-up is scheduled in line with target dates for implementation, as set out in the management response to audit reports. Where there are outlying recommendations with a long-term implementation timescale, Internal Audit may seek to undertake follow-up activity once the target dates for the majority of recommendations have been reached; this approach would be adopted in consultation with client management in order to provide a timely assurance opinion in respect of recommendations implementation.
6. Details of recommendations implementation were last reported to this Committee in March 2021 and since that time, seven formal follow-up reviews have been completed. Follow-up activity has taken place promptly once original target dates for implementation have been reached. The table attached at Appendix X sets out the detailed outcomes and reflects:
  - The final report dates and original assurance ratings for the relevant audits
  - The follow-up outcome dates and updated assurance ratings
  - A breakdown of recommendations outstanding at the time of follow-up
  - Dates for further follow-up activity, where required, in respect of the outstanding recommendations
  - Commentary in respect of the outstanding recommendations, for example where partial implementation has been demonstrated or to advise whether no further follow-up is planned

7. The outcome of the follow-up reviews is summarised as:
- 37 recommendations were examined in total across 7 audits
  - 24 recommendations were assessed as implemented based on evidence provided to Internal Audit
  - 13 recommendations remain outstanding, across 5 audits
  - 12 of the outstanding recommendations will be subject to further follow-up
  - Two audits have retained their green assurance ratings
  - One audit has retained its amber assurance rating
  - Three audits have moved from amber to green assurance ratings
  - One audit has moved from a red to an amber assurance rating
8. In some cases, recommendations implementation has not proceeded in line with the original target dates provided by management but there are no issues to escalate to the Committee at this time. Revised target dates for implementation have been provided by client management and should further slippage in implementation be identified at the time of subsequent follow-up, this will be highlighted to the Committee.

### **Corporate & Strategic Implications**

9. 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**

10. 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 in the second quarter of the year.
11. Management action taken by to address issues raised by Internal Audit is considered good. While there are some instances where recommendations were found to have not been implemented within the original agreed timescales, progress was found to be largely satisfactory.

### **Appendices**

- **Appendix 1** - Internal Audit Follow-Up Outcomes April to September 2021

### **Matt Lock**

Head of Audit and Risk Management, Chamberlain's Department

E: [matt.lock@cityoflondon.gov.uk](mailto:matt.lock@cityoflondon.gov.uk)

T: 020 7332 1276

## Internal Audit Follow-Up Outcomes April to September 2021

No.	Audit	Final Report	Original Assurance	Total Recs	Follow-Up Report	Updated Assurance	Outstanding Recs	Further Follow-Up
1	Corporate: Asset Management	November 2020	Amber	2	May 2021	Amber	1	November 2021
2	Barbican: Security	January 2021	Amber	6	September 2021	Green	1	Not Required
3	GSMD: Medium Term Financial Plan	February 2021	Green	1	August 2021	Green	1	October 2021
4	Town Clerk: Recruitment Moratorium	March 2021	Green	3	July 2021	Green	0	Not Required
5	GSMD: Guildhall Young Artists	April 2021	Amber	10	September 2021	Green	4	April 2022
6	DCCS: Adult Skills & Education Service Safeguarding	April 2021	Red	13	September 2021	Amber	6	January 2022
7	City of London School: Health & Safety	February 2020	Amber	2	September 2021	Green	0	Not Required
<b>TOTALS</b>				<b>37</b>			<b>13</b>	

## Recommendations Outstanding from Follow-Up

No.	Audit	Red	Amber	Green	Total	Internal Audit Comment
1	Corporate: Asset Management	0	1	0	1	Partial implementation has been evidenced and a revised target implementation date supplied for demonstration of full implementation.
2	Barbican: Security	0	0	1	1	No further formal follow-up will be undertaken as the follow-up outcome was sufficient to move the assurance rating from amber to green and only one green priority recommendation remains outstanding. Barbican management have advised that they will implement the proposed control improvement.
3	GSMD: Medium Term Financial Plan	0	1	0	1	The client has amended the target date for implementation of the recommendation from 30 <sup>th</sup> June to 30 <sup>th</sup> September 2021. It is understood that implementation has been impacted by the School's change in financial year-end.
5	GSMD: Guildhall Young Artists	0	3	1	4	Partial implementation has been evidenced in respect of all four recommendations and revised target implementation dates supplied for demonstration of full implementation; these range between December 2021 and April 2022.

No.	Audit	Red	Amber	Green	Total	Internal Audit Comment
6	DCCS: Adult Skills & Education Service Safeguarding	0	6	0	6	Evidence has been obtained of significant work to strengthen the control environment in this area, resulting in an increase in assurance from limited to moderate at the time of follow-up. Partial implementation has been confirmed in respect of the six outstanding recommendations and revised timescales for demonstration of full implementation have been provided. Internal Audit follow-up will be undertaken promptly in January 2022.
<b>TOTAL</b>		<b>0</b>	<b>11</b>	<b>2</b>	<b>13</b>	