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| <b>Committee(s)</b>   | <b>Dated:</b>          |
| Audit and Risk Management Committee   | 12/07/2022             |
| <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 Internal Audit</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 May meeting of this Committee. The report summarises work completed up to 30 June, which includes a combination of planned and unplanned work; 4 substantive Internal Audit reviews have been completed as well as 4 further items of work resulting in reports or Audit outcomes of a different format.

### **Recommendation(s)**

Members are asked to:

- Note the outcomes of completed Internal Audit work

### **Main Report**

#### **Background**

1. This report provides an update on the work of Internal Audit since the May Committee, specifically, an overview of the outcomes from completed Internal Audit reviews.

#### **Work Completed Since the May Committee Update**

2. Final Audit Reports have been issued in respect of 4 Audit Reviews since the last update to this Committee, Amber Assurance ratings were given in 3 instances, Green Assurance ratings in 1 instance. The overall outcomes from the recently completed Audit reviews are summarised in the following table:

| Audit Assignment  | Assurance Rating | Recommendations Made |       |       |
|---|------------------|----------------------|-------|-------|
|   |                  | Red                  | Amber | Green |
| City of London Police and Police Authority - Governance Arrangements            | Green            | 0                    | 6     | 1     |
| City of London Police - Transform Programme "Golden Thread"                     | Amber            | n/a                  |       |       |
| Corporate Wide - Major Projects Governance Arrangements - Markets Consolidation | Amber            | 0                    | 7     | 0     |
| Guildhall School of Music and Drama - Data Quality - Finance                    | Amber            | 0                    | 2     | 0     |

3. At this time, there are no specific issues to draw to the attention of the Committee from this completed work, with the findings and recommendations raised being generally well received by management, further assessment will be made at the point of conducting follow-up reviews and reported accordingly.
4. Members may note that the table shows no breakdown of recommendations in relation to the Audit review of the City of London Police – Transform Programme “Golden Thread”. While this review resulted in an Amber recommendation, the issues raised by Internal Audit correlated with those identified by the Force Senior Leadership Team, there are measures in progress to resolve these and so it felt inappropriate to raise them as recommendations. Nonetheless, it has been agreed with the Commissioner that we will undertake a follow-up review to verify the effectiveness of these actions in accordance with our standard practice and report back accordingly.
5. Four other substantive Audit assignments have been completed, each of which resulted in a non-standard form of Audit report:
  - **Aldgate School - Schools Financial Values Standard:** An annual review and sign-off that the School meets the standard. 2 Green priority recommendations were made, these do not require follow-up although will be considered as part of the assessment for following years.
  - **Department of Community and Children's Services - CIVICA System pre-Go Live Assessment:** Internal Audit were asked to evaluate the adoption of controls within the new Housing Management system prior to implementation. These related to control weaknesses identified within the former system with an action plan to resolve as part of the system replacement, the issues were found to be resolved.
  - **Barbican Centre - Ticketing - Re-issue, Re-sale and Refund:** A spot-check in relation to the refund, resale and reissue of tickets for events cancelled as a result of the COVID-19 Pandemic. The review was based on substantive testing of transactions and found no areas of concern.
  - **Teachers Pensions – Errors, Roles and Responsibilities:** Following the identification of a number of discrepancies in relation to teachers’ pension records, Internal Audit was asked to review the process to evaluate if there were any systematic issues contributing to these errors. The review found no significant internal control weaknesses, although did raise concerns as to how the City of London Corporation organises itself to support the administration of

teachers' pension benefits. A report was issued with recommended steps to improve the process. While not anticipated that this review will result in formal follow-up, this may be considered subject to the response from management; this requires collective, cross-departmental working, if a consensus cannot be reached on the solution, follow-up will be initiated.

### **Corporate & Strategic Implications**

6. The work of Internal Audit 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**

7. While Internal Audit work identifies areas for improvement within the systems and processes examined, the findings of Audit work have been well received by Management and appropriate actions have been identified to resolve the control weaknesses raised.
8. The profile of Audit work has changed, with an increased proportion of unplanned work in response to emerging risks and issues, enabled by the transition to a less rigid plan of work.

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