

Committee(s)	Dated:
Audit and Risk Management Committee	13/03/2023
Subject: Internal Audit Update	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: the Chamberlain	For Information
Report author: Matt Lock	

Summary

This report provides an update on Internal Audit activity since the last update provided to the January meeting of this Committee. The report summarises work completed up to 22 February 2023; 4 substantive Internal Audit reviews have been completed. Work is in progress at various stages for 11 Audit reviews.

Follow-up reviews have been undertaken in respect of 2 Audits.

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 January Committee, specifically, an overview of the outcomes from completed Internal Audit reviews.

Work Completed Since the November Committee Update

2. Final Audit Reports have been issued in respect of 4 Audit Reviews since the last update to this Committee, 1 Moderate and 3 Limited Assurance opinions were provided. The overall outcomes from the recently completed Audit reviews are summarised in the following table, with further information provided in relation to the Limited Assurance opinions:

Audit Assignment	Assurance Rating	Recommendations Made		
		Red	Amber	Green
Chief Operating Officer - Compliance with Corporate Project Management Procedure	Limited	2	0	0
Guildhall School - P-Card Compliance Checks	Moderate			
Corporate Health and Safety – Second Line of Defence	Limited			
Barbican Estate - Key Controls	Limited			

Compliance with Corporate Project Management Procedure:

3. The purpose of the audit was to provide assurance that recent amendments to delegated approval thresholds (to the City Surveyor) have not adversely impacted compliance with the (Corporate) City of London Project Procedure. The review focussed on:
 - Establishing current delegated approval thresholds
 - Examination of a sample of sub £5m Investment Property Group (IPG) projects to establish compliance with the Project Procedure
 - Assessment of the effectiveness of the approval and authorisation given under delegated authority in ensuring compliance with the City of London Project Procedure.
4. The review found that the delegated authority had, incorrectly, been interpreted as authority to dispense with the City of London Project Procedure the consequence of which is non-conformance, hence the Limited Assurance opinion. It should be noted that there have only been two projects initiated under this delegated authority and, as a result of the Internal Audit, expectations have now been clarified and are understood by all relevant parties. The impact of this Limited Assurance opinion on the Head of Internal Audit opinion on the adequacy of the overall control environment is negligible, although this does indicate weaknesses in the relation to project and programme oversight at a corporate level.

Corporate Health and Safety – Second Line of Defence

5. The purpose of the audit was to obtain assurance that adequate arrangements exist in relation to second line of defence activity, specifically that relevant functions:
 - Seek assurance that operational health and safety risks are being appropriately identified, assessed, recorded, monitored and escalated to the Health and Safety Committee for corporate attention
 - Monitor the extent to which health and safety risks escalated for corporate attention are being managed effectively
 - Provide assurance to the City’s executive leadership team and Members on the extent to which the health and safety risk management framework is operating effectively

6. The audit confirmed that there is no effective second line of defence in operation in respect of health and safety assurance, undermining the ability to ensure that a safe and healthy workplace is in place. A Limited Assurance opinion has been provided in respect of the arrangements in practice.
7. A number of opportunities to strengthen the second line arrangements had been identified by management prior to the review and Internal Audit established that range of measures are being implemented to address these, for example development of a new Corporate Health and Safety Business Plan and updating Member and Officer governance arrangements. Whilst assurance cannot be provided that the second line activities in operation adequately support effective risk management, Internal Audit considers that the new designs represent an appropriate response to issues raised and that this is focused on addressing the fundamental gaps and inefficiencies.
8. Recommendations have been made to further strengthen the second line of defence. As part of its rolling programme of assurance work in respect of Health and Safety, Internal Audit will undertake a review in 2023-24 to evaluate the impact of implementation of the proposed second line of defence designs.
9. Internal Audit has also undertaken an in depth review of the management of Corporate Health, Safety and Wellbeing Risk (CR09), identifying clear opportunities for improvement; the findings of this review are also reported to this Committee as a separate agenda item (**Corporate Risk – Deep Dive Review: CR09 Health, Safety and Wellbeing**).

Barbican Estate – Key Controls

10. This Internal Audit was undertaken at the request of the Department of Community and Children's Services Senior Leadership Team, the purpose of the review was to assess the adequacy of the controls (in terms of both design and application) in respect of the following:
 - Management of overtime, including the arrangements for fair allocation of overtime and robust review and approval of hours claimed
 - Arrangements for engaging agency staff, including timesheet approval
 - Stores and car park lettings administration to maximise receipt of income
 - Inventory, stock control, ordering, issuing and general management of the cleaning material store to ensure the effective use of resources and minimise the risk of loss or theft
11. The audit confirmed that, despite considerable efforts being made in some areas to follow set processes and maintain records and management information in respect of activities, the controls within these processes are largely ineffective. Fundamental weaknesses exist in all areas examined which serve to undermine efficient service delivery and there are indications that this may be negatively impacting working culture and staff morale.
12. The Leadership Team are working with a third-party organisation to review the service operating model, the issues raised by Internal Audit will be considered as part of this process. A follow-up review will be completed in due course to reassess the control environment.

13. A summary the Internal Audit work recently completed and in progress is included as Appendix 1 to this report. This includes information in relation to the overall status of Internal Audit recommendations made. The dashboard also incorporates a statement as to the overall opinion on the adequacy of the internal control environment based on work completed, at present, it is the Head of Internal Audit's opinion that, overall, this is adequate, although 2nd line assurance activity needs strengthening.
14. The Committee previously asked to see more information in relation to the cumulative outcomes of completed Internal Audit work, the forward programme of planned activity and analysis in relation to open Audit recommendations, this is also shown in Appendix 1 as an extension to the Internal Audit Dashboard.

Corporate & Strategic Implications

15. 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

16. 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.

Appendices

- Appendix1 – Internal Audit Dashboard

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