

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	11/09/2023
<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: Chamberlain</b>	<b>For Information</b>
<b>Report author: Matt Lock, Head of Internal Audit</b>	

### **Summary**

This report provides an update on Internal Audit activity since July 2023. 2 Internal Audit reviews have been completed to Final Report stage and work is in progress at various stages for a number of Audit reviews.

The recent recruitment campaign was successful, with appointments made to 2 senior Auditor positions in the team. It is anticipated that the Internal Audit team will be at full capacity within the current structure from 1 October 2023.

### **Recommendation(s)**

Members are asked to:

- Note the outcomes of completed Internal Audit work.

### **Main Report**

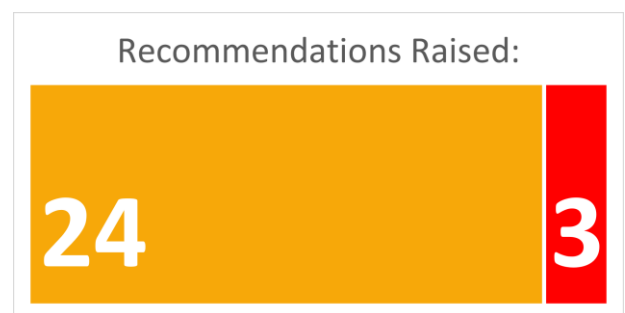
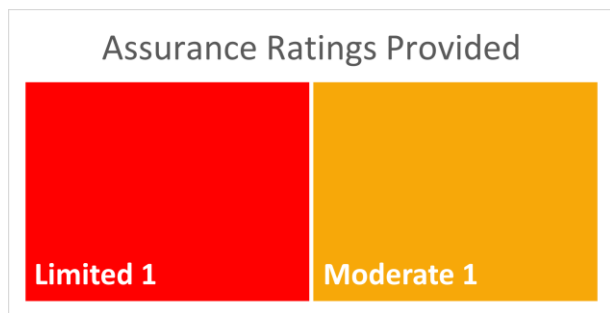
#### **Background**

1. This report provides an update on the work of Internal Audit since July 2023 and the update report provided to the July meeting of this Committee, specifically, an overview of the outcomes from completed Internal Audit reviews and Internal Audit recruitment. Given that the July and September meetings are in close succession, this report covers the activity of only a 6 week period.

#### **Current Position**

2. Final Audit Reports have been issued in respect of 2 Audit Reviews since the last update, 1 Substantial and 1 Moderate Assurance opinion 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 opinion:

Audit Assignment	Assurance Rating	Recommendations Made		
		Red	Amber	Green
City of London School - Key Financial Controls	Limited	3	21	0
City of London Police – Purchase Card Compliance	Moderate	0	3	0



### City of London School - Key Financial Controls

3. The objective of this audit was to obtain assurance in respect of the adequacy of key financial controls, specifically: income, expenditure, budget monitoring and assets / inventory. Internal Audit was made aware of staff turnover within the School's finance function since 2021 (Bursar, Finance Manager and Head of Finance), as well as staff movement within the Chamberlain's Department, impacting the level of support provided to the School. It is understood that a shared services structure will be in place from September 2023, with a clear focus on improving financial management and promoting good (and where appropriate, consistent) practice. The findings of this audit should help inform decision-making related to new the financial control framework.
4. Overall, limited assurance is provided in respect of the effectiveness of the School's key financial controls. Audit testing confirmed issues in several areas examined with instances noted of control processes that are either limited in terms of design, lapsed or applied inconsistently. In other areas, information / evidence was not available to demonstrate the arrangements in practice. Internal Audit has made recommendations in relation to:
  - Setting, invoicing and reconciling fees, recording fee payments and debt management, to ensure maximisation of income.
  - Budget monitoring processes to ensure that the School manages its financial resources in line with its approved Revenue budget.
  - Procurement and expenditure, including the use of purchasing cards, and management of expenses, to ensure compliance with relevant policies and demonstrate the pursuit of Value for Money.
  - Maintenance of the School's inventory / registers of high value, portable assets to ensure that these items can be accounted for.

5. Audit findings have been discussed with the Head of Finance, Shared Services, who has reiterated their commitment to implementing robust financial management practices as part of the new finance model.
6. In addition to the above fully completed work, Draft audit reports are in circulation for 4 Audit reviews.

### **Internal Audit Recruitment**

7. The recruitment campaign completed in July was successful and appointments were made to 2 Senior Auditor positions, it is anticipated that start dates will be no later than 1 October 2023. A number of Internal Audit reviews are currently being planned and scheduled to ensure a productive start for the new team members.

### **Corporate & Strategic Implications**

8. 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**

9. Given the current capacity of the Internal Audit team, delivery of planned Audit work is good. The team will soon be fully staffed which, combined with good progress in the development of our Trainee Auditors, will significantly increase the delivery capability of the team. 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.

### **Matt Lock**

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