

Committee(s)	Dated:
Audit and Risk Management Committee	06/11/2023
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: Chamberlain	For Information
Report author: Matt Lock	

Summary

This report provides an update on Internal Audit activity during September 2023. 3 Internal Audit reviews have been completed to Final Report stage and work is in progress at various stages for a number of Audit reviews.

Excluding sickness absence of one team member, the Internal Audit team is now fully staffed, resources are sufficient to deliver the programme of work intended for the remainder of 2023/24.

Recommendation(s)

Members are asked to:

- Note the outcomes of completed Internal Audit work.

Main Report

Background

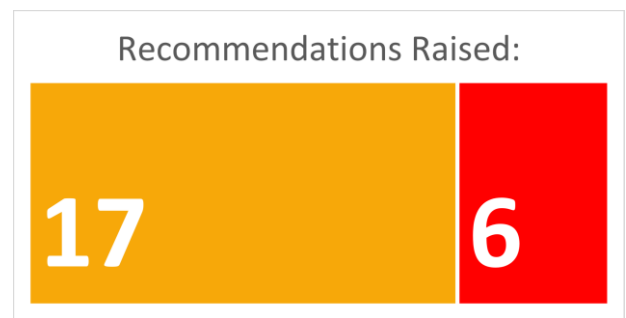
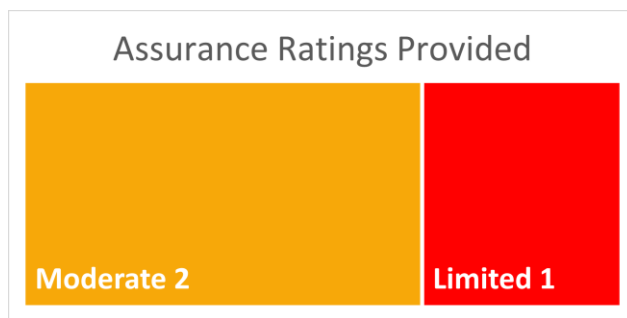
1. This report provides an update on the work of Internal Audit during September 2023 and the update report provided to the September meeting of this Committee, specifically, an overview of the outcomes from completed Internal Audit reviews. Appendix 1 to the report shows a range of analysis in relation to completed Audit work, both since the last Committee update and a cumulative summary of work completed so far this year. The appendix also includes the forward programme of work for the second half of 2023/24 and some analysis of live audit recommendations.

Current Position

2. Final Audit Reports have been issued in respect of 3 Audit Reviews since the last update, 1 Limited and 2 Moderate 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 opinion:

Audit Assignment	Assurance Rating	Recommendations Made		
		Red	Amber	Green
City of London Police – Premises Management	Moderate	0	4	0
City of London School for Girls – Key Financial Controls	Limited	2	13	0
Community and Children’s Services – Housing Fire Safety	Moderate	4	0	0



City of London School for Girls - 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.
5. Audit testing confirmed issues in several areas examined with instances noted of control processes that have either lapsed or have been applied inconsistently. In other areas, information / evidence was not available to demonstrate the arrangements in practice. Internal Audit has highlighted the issues and associated risks for management attention; action should be taken in respect of these findings as part of the move to Shared Services, thereby strengthening arrangements in respect of:
 - Billing and debt management, minimising the risk of error, facilitating independent oversight and ensuring compliance with the City’s Scheme of Delegations.
 - Budget monitoring processes to support the School in managing its financial resources in line with its approved Revenue budget.

- Procurement and expenditure, including the use of purchasing cards, 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 all necessary purchases are reflected and that these items can be accounted for.
6. 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.
 7. In addition to the above fully completed work, Draft audit reports are in circulation for 3 Audit reviews.

Follow-up Work

8. With limited resources this year to date, the focus of Internal Audit work has been on delivery of substantive Audit reviews rather than follow-up of previously raised recommendations. Analysis of open recommendations shows a growing number of older recommendations some of which are now considerably past their original target implementation date. Analysis of open recommendations is included in Appendix 1 together with a link to access the full schedule of open recommendations.
9. Consideration is currently being given to a new methodology for Audit follow-up with a view to supporting a more timely escalation of non-implementation. In addition to this, the Head of Internal Audit is reflecting on the benefits of delivering a more focussed exercise, a recommendations implementation drive, taking this on a department by department basis rather than audit by audit.

Internal Audit Resourcing

10. Following a successful recruitment campaign earlier in the summer, the Internal Audit team is fully staffed although it should be noted that there is a brief period of induction and currently the long-term sickness absence of one other team member. It is anticipated that capacity will steadily increase between now and the end of the calendar year, reaching full capacity for the remaining 3 months to 31 March 2024. Beyond the current year, it is anticipated that the capacity of the team will grow from around 600 audit days to over 1000 in 2025/26 as the Trainee Auditors reach a minimum level of technical and professional maturity.

Corporate & Strategic Implications

11. 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

12. Given the capacity of the Internal Audit team over the year so far, delivery of planned Audit work is good. The team is now 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. There are a large number of Internal Audit recommendations that have not been implemented in accordance with agreed timescales, many of which are now quite overdue.

Appendices

- Appendix 1 – Internal Audit Dashboard

Matt Lock

Head of Internal Audit, Chamberlain's Department

E: matt.lock@cityoflondon.gov.uk

T: 020 7332 1276