

Committee(s)	Dated:
Audit and Risk Management Committee	26/02/2024
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: Head of Internal Audit	For Information
Report author: Matt Lock, Head of Internal Audit	

Summary

This report provides an update on Internal Audit activity between 1 November 2023 and 31 January 2024. 4 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 team currently has one vacancy (one of the recent appointments did not complete the probation period) and a long-term sickness absence. The resulting shortfall in resources has temporarily been met by the Head of Internal Audit and the Audit Manager taking on direct delivery of some assurance work.

Recommendation(s)

Members are asked to:

- Note the outcomes of completed Internal Audit work.

Main Report

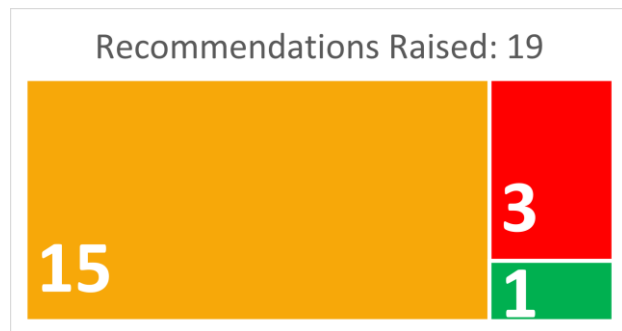
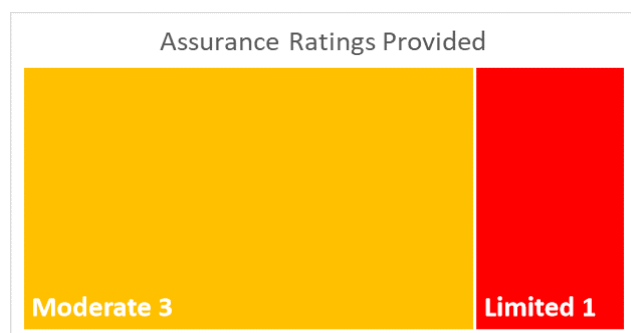
Background

1. This report provides an update on the work of Internal Audit during November and December 2023 and January 2024 and the update report provided to the November 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 remainder of 2023/24 and some analysis of live audit recommendations.

Current Position

2. Final Audit Reports have been issued in respect of 4 Audit Reviews since the last update, 1 Limited and 3 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
Barbican Centre – Purchase Card Compliance	Moderate	0	1	0
Community and Children’s Services – Barbican Estate – Charging for Repairs	Limited	3	3	0
Corporate Wide – Prompt Payment of Invoices	Moderate	0	3	0
Aldgate School – Key Financial Controls	Moderate	0	8	1



Community and Children’s Services – Barbican Estate – Charging for Repairs

3. This Audit examined the extent to which the contract for repairs and maintenance had been operated in accordance with the contract Schedule of rates. This included examining the system in place for calculating charges for works delivered, validating the accuracy of charges made and for ensuring completion of works to specification.
4. The Audit review raised significant concerns, leadership provided a positive response to the Audit Report and the recommendations made will be implemented by the new Housing management team.

Follow-up Work

5. Follow-up work has been undertaken in respect of 20 Internal Audit reviews covering 61 recommendations, of which 49 have been closed. Analysis of open recommendations shows a small reduction to the number of older recommendations past their original target implementation date, but an increase in the overall number of overdue recommendations. This is due to a high volume of recommendations with an implementation date of 31 December 2023, which Internal Audit has yet to have reviewed, the focus of attention having been given to the oldest live recommendations.

The Analysis of open recommendations is included in Appendix 1 together with a link to access the full schedule of open recommendations.

6. Internal Audit will continue to target follow-up work in relation to the oldest outstanding recommendations. A revised follow-up protocol will be launched from April 2024 whereby we will revert to escalation of non-implementation to Audit and Risk Management Committee following a first follow-up review, dispensing with the current 3 strike rule.

Internal Audit Resourcing

7. Whilst the recruitment campaign in the summer of 2023 appeared to be successful, only one of the two appointments made resulted in permanent appointment. As a result, the team has had a vacancy since November which, combined with the long-term sickness absence of one other team member (still requiring active management) has impacted resources available to the team and also the rate at which we are able to develop our Auditors in training. Recruitment has not been initiated until now to enable the Head of Internal Audit to focus attention on supporting the existing team and delivering planned audit work.
8. The expectation remains that, beyond the current year, the capacity of the team will grow from around 600 audit days in 2024/25 to over 1000 in 2025/26 as the Trainee Auditors reach a minimum level of technical and professional maturity.

Corporate & Strategic Implications

9. 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

10. Given the capacity of the Internal Audit team over the year so far, delivery of planned Audit work is good. With one vacancy and one team member suffering poor health, the team is operating under capacity. The Trainee Auditors continue to make excellent progress which will significantly increase the delivery capability of the team within 6 months.
11. 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, however, a large number of Internal Audit recommendations that have not been implemented in accordance with agreed timescales.

Appendices

- Appendix 1 – Internal Audit Dashboard

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