

# Internal Audit - Additional Resource Request Business Case

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**£165k**

Requested for 2024/25

# Request and Proposal

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**Additional budget allocation of £165k is requested to fund the creation of one additional permanent position and the provision of temporary Senior Auditor resource to supplement the delivery capability of the existing Internal Audit team.**

The request is initially made to Finance Committee Contingency for 2024/25 with the expectation that this additional funding be incorporated within the 2025/26 resource allocation for Internal Audit. This represents a 26% increase to the current expenditure budget for Internal Audit, increasing the total resource allocation to £790k, which still represents an **overall reduction** in the cost of Internal Audit of 21% since 2019/20.

The two elements to the request are:

## Deputy Head of Internal Audit - £102k

Creation of a new position, providing critical support to the Head of Internal Audit; including coordinating departmental and Institutional liaison and maintaining the Internal Audit Plan, providing support to meet the Internal Audit Committee reporting workload (25+ detailed updates per year) and coordination of monthly performance reporting.

## Temporary Resource - £63k

Providing backfill for long-term sickness absence and vacancy within the team at a senior level and to support delivery of planned Internal Audit work whilst the current Auditor (1FTE at grade D) and Trainee Auditors (2FTE at grade C) within the team continue their development to Senior Auditor level.

The £63k request is derived from the difference between the current cost of these 3 team members and the associated cost should all team members be operating at maximum capability and, therefore on the Senior Auditor pay scale. It is anticipated that this element of additional funding will be used on a diminishing scale over a period of 3-4 years as the Trainees develop.

# Context



## Key Drivers

- Insufficient Internal Audit Coverage
  - Vacancies
  - Long-term sickness absence
  - Inexperienced team
- Increase in level of identified misapplication of the Internal Control Environment and associated risk
- Insufficient Structure to Internal Audit Planning and Stakeholder Engagement
  - No long-term planning
  - No capacity to engage with all Chief Officers
  - Limited capacity to meet the high Committee reporting requirement
- Lack of Capacity for Strategic Planning and Development of the Internal Audit Function
- Inefficient Use of the Head of Internal Audit
- Change in Global Internal Audit Professional Standards (mandatory requirement)



## Impact

Inability to form an annual opinion on the adequacy and effectiveness of the internal control environment.



## Solution

- Temporary additional resource
  - Catch-up on Audit assignments
  - Increased opportunity to support development of Trainees
  - Flexible resourcing supports agile approach to Audit planning
- Creation of a new permanent post: Deputy Head of Internal Audit
  - Provides support to the Head of Internal Audit for the effective running of the service

# Internal Benchmarking



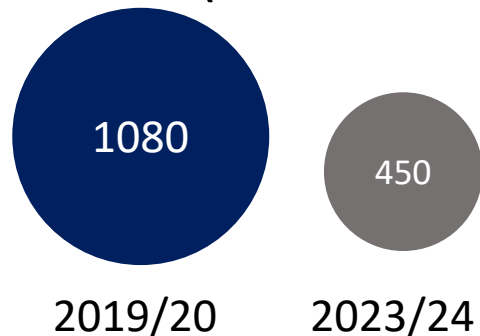
Adjusting for inflation: the real-term reduction to the Internal Audit budget is 37% over 4 years

## Assumptions/notes:

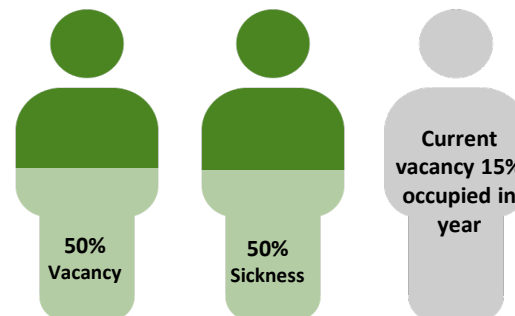
- Bank of England state inflation over this period as 23%
- The income profile of the City Corporation is not shown, although considered that an increase in income also represents an increase in activity across the organisation
- Does not include Capital/Major Programmes

	City of London Gross Expenditure £m		
	2019/2020	2023/2024	Change
City Fund	131	160	22%
City Estate	235	265	13%
City Bridge Foundation	63	137	117%
Guildhall Administration	74	79	7%
<b>Internal Audit</b>	<b>0.819</b>	<b>0.626</b>	<b>-24%</b>

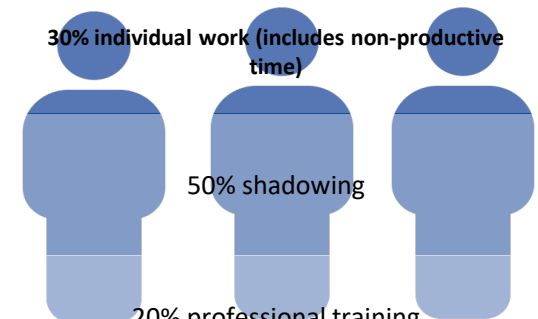
## Internal Audit Programme of Work (available Audit Days):



## Resources available in 2023/24



Senior Auditors

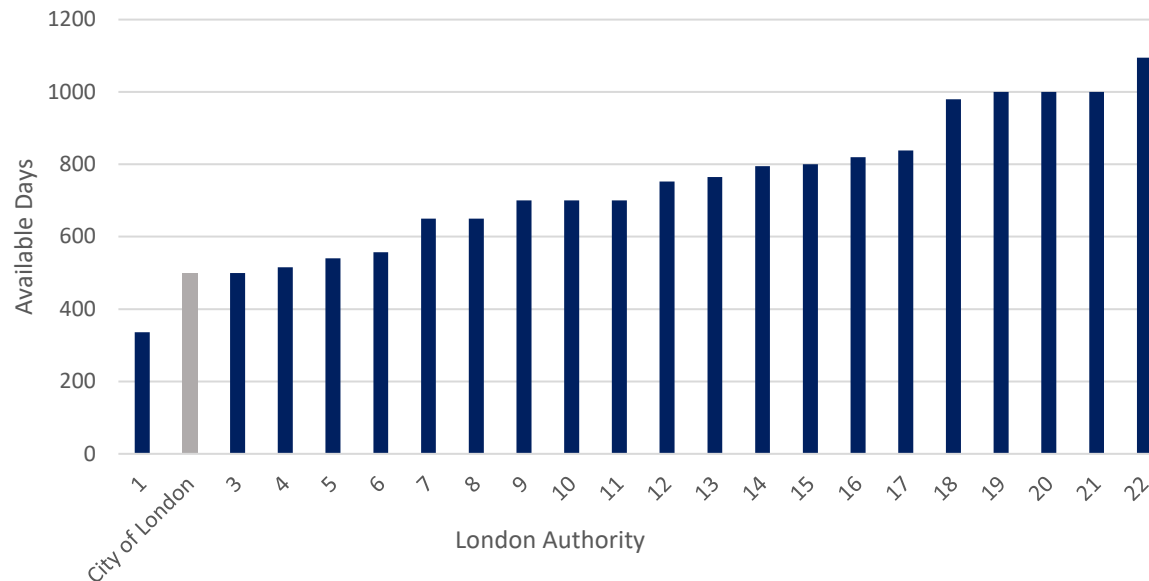


Auditors in training

# Industry Benchmarking



Audit Days Available Across London



The City of London Corporation currently operates one of the smallest programmes of Internal Audit work

A typical organisation operates only one Audit Committee – City of London operates 4 (plus 2 external clients)

## Additional Organisational Complexity:

- City of London Corporation is a more complex organisation than the London Boroughs (our closest peer group) – having all the complexities and requirements of a local authority **plus** additional responsibilities and services, which all fall within the remit of Internal Audit
- Operating across multiple sectors (Local Government/Police/Charity/Higher Education/Museum) – different Governance expectations
- 18 Departments/Institutions → 18 Senior Stakeholders and Leadership teams to build and maintain relationships with
- 2 External Client Organisations for Internal Audit Services (not discretionary)
- Reporting to 6 distinct Audit Committees at regular intervals