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| Committee(s) | Dated: |
| Audit and Risk Management Committee | 23/09/2024 |
| 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 | |

Summary

This report provides an update on Internal Audit activity for the year so far up to 31 August 2024. 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 including 7 Audits at Draft Report stage and 6 reviews at Fieldwork stage.

The significant resourcing challenges reported earlier in the year are now resolved with successful recruitment of 2 Senior Auditors: filling a pre-existing vacancy and a subsequent vacancy following conclusion of a long-term sickness absence.

Positive action is being taken to address the longer-term capacity issues within the Internal Audit function; additional funding has been allocated from Finance Committee Contingency for the remainder of 2024/25 and for subsequent years via a budget uplift. This funding provides for the creation of new Deputy Head of Internal Audit position (recruitment now initiated) and the provision of third-party resource to support delivery and development of the team.

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 2024 so far and up to 31 August, specifically, an overview of the outcomes from completed Internal Audit reviews. Appendix 1 to the report shows analysis in relation to completed Audit work.

Current Position

2. Final Audit Reports have been issued in respect of 2 Audit Reviews, both resulting a Limited Assurance opinion. The overall outcomes from the recently completed Audit reviews are summarised in the following table with further information provided below:

| Audit Assignment | Assurance Rating | Recommendations Made | | |
|---|------------------|----------------------|-------|-------|
| | | Red | Amber | Green |
| Barbican Centre – Business Continuity | Limited | 3 | 7 | 0 |
| City of London Junior School – Key Financial Controls | Limited | 0 | 15 | 0 |

Barbican Centre – Business Continuity

3. Limited assurance was provided largely due to lack of evidence to support the detailed arrangements in operation, Audit recommendations have been made to strengthen the control framework. The key findings were:
- Limited evidence was available to demonstrate the mechanisms for review and update of the business continuity arrangements to ensure ongoing fitness for purpose.
 - Evidence was not available to demonstrate rollout / implementation of the plans and delivery of associated training to relevant staff; this was attributed to contractor turnover.
 - Internal Audit were informed that business continuity plans were tested regularly by a private contractor to gauge their effectiveness but assurance cannot be provided that this took place as described; no documentation was available to confirm the existence of a testing programme, to demonstrate that tests were undertaken in line with this, or to reflect action taken in response to test outcomes.
 - No evidence was provided to demonstrate relevant reporting Senior Management and Members other than the brief mention of business continuity as a relevant mitigation in Major Incident risk updates.

City of London Junior School – Key Financial Controls

4. Overall, limited assurance was provided in respect of the effectiveness of the School's key financial controls. Audit testing confirmed the presence of control weaknesses in most areas examined, the Audit report highlighted the key issues and associated risks for management attention. Recommendations have been made to strengthen control in respect of:
- Calculation, billing and collection of income, incorporating validation checks, robust reconciliation arrangements, and reduction of manual processing to minimise the risk of error.
 - Debt management, improving the clarity and transparency of records maintained, and enhancing oversight of direct debit administration.

- Budget monitoring processes to support the School in managing its financial resources in line with its approved Revenue budget.
 - Procurement activities, ensuring consistently transparent and compliant practices which demonstrate the pursuit of Value for Money, and meet corporate targets in respect of payment performance.
 - Purchase card usage, taking prompt and appropriate action in respect of non-compliance with the corporate Scheme.
 - Maintenance of the School's inventory of high value, portable assets to ensure that relevant items are reflected and can be accounted for.
5. Internal Audit noted that activity is already in progress to identify and address the need for process improvements.

Follow-up Work

6. Follow-up work has been undertaken in respect of 11 Internal Audit reviews covering 93 recommendations, of which 29 have been closed. Again, with limited capacity at the start of the year, the programme of follow-up work was small, expanding and gaining pace later in the period as vacancies were filled. Work is currently in progress to review the implementation status of the 15 overdue high-priority recommendations (listed in the Internal Audit Dashboard).
7. Further Analysis of open recommendations is incorporated within Appendix 1 Internal Audit Dashboard.

Forward Programme of Internal Audit Work

8. Appendix 2 shows the indicative forward programme of Internal Audit work for the remainder of 2024/25. It should be noted, however that this is subject to review and change pending the outcome of a detailed review of the short and longer term Internal Audit Plan which Members will be consulted on later in the year.

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. Reduced capacity within the Internal Audit team has resulted in limited delivery of planned Audit work at the start of the year although significantly increased as new team members started in post. This is demonstrated by the number of audit reviews currently completed to Draft Report stage. With the exception of the newly created Deputy Head of Internal Audit position, there are currently no vacancies on the team.
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.

Appendices

- Appendix 1 – Internal Audit Dashboard
- Appendix 2 - Internal Audit Current Programme of Work

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