

Committee(s)	Dated:
Audit and Risk Management Committee	14/07/2025
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: Group Chief Internal Auditor	For Information
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Summary

This report provides an update on Internal Audit activity between 1 April 2025 and 30 June 2025. 9 Internal Audit reviews have been completed to Final Report stage and work is in progress at various stages for a number of Audit reviews.

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 April, May and June 2025, the first Internal Audit update report of 2025/26. Specifically, this report provides 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 9 Audit Reviews in quarter 1 of 2025/26, resulting in 3 Substantial, 4 Moderate and 2 Limited Assurance opinions. 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 opinions:

Department	Audit Title	Assurance Rating	Recommendations Made		
			Red	Amber	Green
Comptroller & City Solicitor's	Risk Management	Moderate	0	2	0
City of London School	Tuition Income	Limited	2	1	0
City of London Police	Information and Data Handling	Moderate	0	7	1
City of London Police	Income Collection and Cost Recovery	Substantial	0	0	0
Community and Children's Services	Direct Payments (Adults)	Substantial	0	3	1
City Bridge Foundation	Tower Bridge Contract Management	Limited	3	2	0
Community and Children's Services	Direct Payments (Children)	Substantial	0	0	1
City of London School for Girls	Income	Moderate	2	1	0
City of London Junior School	Income	Moderate	1	0	0



City of London School – Tuition Income

- This audit was included in the agreed programme of Internal Audit assurance work to build upon the findings of the June 2023 review of the City of London School's financial control framework although refocussed on tuition fee income following an apparent £430k under-collection in Spring 2023 (impacting approx. 180 parent / student accounts), notified to Internal Audit in November 2024.
- The Audit sought to evaluate the adequacy of the design of the internal control environment for billing, collecting and reconciling tuition fee income, assessing the extent to which this may have contributed to the discrepancy and delays in identification.
- Testing focused on examination of the extent to which:

- There are established mechanisms to ensure the accuracy and completeness of tuition fee billing and collection, including documented procedures, defined roles and responsibilities and a variety of manual and system-enforced quality checks.
 - There are adequate mechanisms to facilitate the maintenance of parent/student accounts (including timely updates to account balances following payment of fees).
 - Reconciliation controls are undertaken frequently to validate the alignment of billing, collection and account records, and there are reporting protocols in place to facilitate effective oversight.
 - The suspected shortfall on parent accounts exists and seek to understand the root cause.
6. Limited assurance is provided in respect of the areas within the scope of the audit and recommendations have been made to strengthen the control framework. The income shortfall in early 2023 was caused by the incorrect use of a historic direct debit file, resulting in inaccurate parent account updates. More robust procedures, including timely reconciliation, could have reduced the risk of this incident or at least facilitated early identification, this audit highlights that whilst controls have improved there remain some weaknesses.

City Bridge Foundation - Tower Bridge Contract Management

7. The review formed part of a wider rolling programme of contract management checks across City of London Corporation departments: examining arrangements for local contract management and monitoring, based on a sample of contracts selected from the corporate register. According to the Contracts Register there are 8 contracts on the register under Tower Bridge with a combined annual value of approximately £3.4m and a current financial year value of approximately £1.4m. The key objective of this audit was to evaluate local application of contract management activities, focusing on supplier performance and service delivery and forward planning for contract review.
8. Overall, limited assurance is provided in respect of the control environment within the scope of the audit. Audit examination of contract register content, review of available documentation and discussion with contract managers identified both thematic and individual issues. Key findings were:
- Inaccuracies in the Tower Bridge extract of the contracts register and a local lack of awareness of this record may undermine arrangements for oversight, tracking obligations, informing financial and procurement planning, and reducing the risk of overruns / overspend.
 - Contract managers were not consistently informed of contractual requirements for which they were responsible.
 - Discussion with key contacts indicated that there is scope to increase awareness of corporate expectations and the principles of effective contract management. While guidance in respect of contract management principles, roles and responsibilities is published on the Intranet, audit testing found inconsistent local application.
 - Limited evidence of defined contractual performance / service delivery mechanisms or understanding of the same. Assurance cannot be provided that adequate performance monitoring takes place to ensure that contractual obligations are being met and outcomes achieved.
 - Inconsistent evidence of forward planning for contract review.

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, risk management and governance. This programme of activity is aligned with the Corporate Plan, Corporate Risk Register and Departmental Top Risks.

Conclusion

10. 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 Q1 2025/26

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