

Committee(s)	Dated:
Finance Committee	13/01/2026
Subject: Internal Audit Update on Financial Control Overview	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
Report author: Matt Lock	

Summary

While the City of London Corporation has an effective system of internal control by design, the consistency with which this is applied across operations has eroded over time.

There is a need for action in order to create and embed a culture of good practice, the Chamberlain and Head of Internal Audit are working closely to deliver this.

Recommendation(s)

Members are asked to note the report.

Main Report

Background

1. Following the report made to this Committee in July 2025 providing an overview of Financial Control, an update was requested for the January 2026 meeting. In the previous report the Group Chief Internal Auditor referenced observations regarding the inconsistency in the application of the City Corporation's internal control framework.
2. This short report provides an update based on further completed Internal Audit work and brief outline of action being taken to embed consistent good practice in relation to financial control.

The Three Lines

3. The July report referenced the Institute of Internal Auditor's Three Lines Model (Appendix 1) and that Internal Audit have observed there to be a general absence of a robust second line across many functions. Further work completed reinforces

this opinion which is something that will be covered in depth within the Group Chief Internal Auditors Annual Report.

Action Being Taken to Strengthen Controls

4. There are a number of strands of activity currently in progress to reinforce the control environment including:
 - Internal Audit Plan coverage incorporating consistent application of financial controls. The Internal Audit Plan for 2026/27 will similarly include more of this work.
 - Targeted work and interventions to address tardy implementation of Internal Audit recommendations.
 - Implementation of Insight reports which are issued to Service Committee Chairs on completion of Internal Audit reviews.
 - Working with the Finance Leadership Group and Finance Business Partners to develop monitoring and reporting on control related matters.
5. The collaboration with Finance colleagues is proving particularly effective, building solid engagement and creating more opportunities for proactive provision of Internal Audit support. This shifts the balance more towards forward looking assurance rather than retrospective and supports activities to build better processes. This work will continue.

Corporate & Strategic Implications

6. 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 but also allows for the provision of strategic advice and guidance on a more forward-looking basis.

Conclusion

7. Members should note the action being taken to support the development of the internal control environment. Further commentary on the overall effectiveness of the control environment will be made in the Group Chief Internal Auditor's annual report, prepared on completion of the annual Internal Audit Plan.

Appendices

- Appendix 1 – The IIA's Three Lines Model

Background Papers

- Report to Finance Committee - **Financial Control Overview** 01/07/2025

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