

<b>Committee:</b>	<b>Date:</b>
Audit and Risk Management Committee	4 <sup>th</sup> March 2014
<b>Subject:</b> Internal Audit Update Report	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>

### **Summary**

This report provides an update on internal audit activity since the last Audit & Risk Management Committee on the 11<sup>th</sup> December 2013. It sets out the independent opinion of the Head of Internal Audit in relation to the adequacy and effectiveness of the control environment for those areas of internal audit work concluded since the last update report to Committee.

The outcomes from the five main audit reviews finalised since the last update are reported. All of these reviews resulted in Green assurance ratings.

#### **Internal Audit Function Performance**

The performance level in implementing audit recommendations, assessed by formal follow-up reviews, has continued to improve. There has been some improvement in the timely production of draft reports although the issuing of final reports on a timely basis still requires further attention.

Completion of the 2013/14 audit plan is still behind expected programme. Two interim senior auditors have been recruited to work until the end of the financial year and will continue into the first quarter of 2014/15 to ensure carry forward work from the 2013/14 audit plan to 2014/15 is completed early in the new audit plan year.

Two permanent senior auditors commenced work at the beginning of January 2014 which now brings the internal audit section to a full complement of staff. The audit reviews being delivered by these new permanent and temporary staff is predominantly at fieldwork stage. The positive impact on audit plan delivery will start to be reflected in the audit plan completion statistics in the next two months.

#### **Development of the Internal Audit Section**

The Audit Section will be peer reviewed at the end of February 2014 by the Head of Governance from London Borough of Croydon, . This assessment will review our compliance with the new Public Sector Internal Audit Standards and the outcome will be reported to the May Committee.

#### **Recommendation**

Members are asked to note the update report.

## Main Report

### Current Position

1. Since the last update to the Audit & Risk Management Committee in December 2013, five main audit reviews have been finalised, all of which resulted in Green assurances. These reviews are identified in **Table 1** below.
2. Audit report summaries from these reviews will be circulated separately to the Audit & Risk Management Committee and the Chairman and Deputy Chairman of the relevant Service Committee prior to the meeting. The detailed internal audit report can be provided to members of this Committee on request.

<b>Table 1</b> <b>Green Assurance Audit Reviews</b>	<b>Red recs.</b>	<b>Amber recs.</b>	<b>Green recs.</b>	<b>Total</b>
<b>City Surveyor's</b> Recoverable Works	-	-	1	1
<b>City of London Police</b> City First Project	-	-	1	1
<b>Barbican Centre</b> Business Continuity Planning	-	1	9	10
<b>City of London School</b> Teaching and Non-Teaching Recruitment	-	-	3	3
<b>Open Spaces</b> Fleet management	-	3	16	19

3. Internal audit work is conducted and reported in accordance with the Public Sector Internal Audit Standards with no impairment to independence or objectivity.

### Audit Work Delivery

4. Delivery of the 2013/14 plan, as at the end of January 2014, is set out in **Table 2** below.

<b>Table 2</b>	Current Plan	Not Started	Planning	Fieldwork	Draft Report	Final / Complete	% Complete
Full Reviews	97	15	14	26	7	35	43%
Spot checks & Mini Assurance Reviews	82	28	13	9	3	29	39%
Irregularity Investigations	8	0	0	1	2	5	88%
A&I/support reviews	6	1	2	2	0	1	17%
<b>TOTAL</b>	<b>193</b>	<b>44</b>	<b>29</b>	<b>38</b>	<b>12</b>	<b>70</b>	<b>42%</b>
<b>KPI 1 (% completed)</b>	42%						

5. Since the 2013/14 audit plan was agreed at the 5<sup>th</sup> February 2013 Audit and Risk Management Committee, there have been a number of changes which have been agreed with management. Since the last update report to Committee one audit review has been added to the audit plan for the current year, with two reviews deferred from the current year's audit plan due to the on-going impact of investigation work. The additional and deferred reviews are set out below.

**Main Audit Reviews added to the 2013/14 Audit Work Programme**

<b>Department</b>	<b>Review</b>
Corporate	Review of February and March orders and invoices for advance purchases.

**Main Audit Reviews removed from 2013/14 Audit Work Programme**

<b>Department</b>	<b>Review</b>
City Surveyor's Department	Miscellaneous Income collection and Debt Recovery
City Surveyor's Department	Rents Lettings and Vacancies

6. The reasons for changes since the plan was agreed are detailed in **Appendix 1**. This appendix sets out all Audit plan changes that have been made since the 2013/14 audit plan was agreed as a result of audit planning meetings with senior management and re-assessment of audit priorities, resources and suitable timing of audit work. Changes over the last 3 months are highlighted in bold within the Appendix.
7. The following main reviews are at draft reporting stage and will be reported to the Committee shortly:

<b>Department</b>	<b>Review</b>
Police	Third Party Payments
City of London Freemen's School	Teaching and Non-Teaching Staff Recruitment (incl. Temp Staff)
Chamberlain's Department	Control of Spreadsheets
Corporate Wide	Contractor Final Account Verification
Chamberlain's Department	Business Rates – ICT Hosting

8. Details of main audit reviews planned for the next quarter (January 2014 to March 2014) can be provided to Members on request.

### **Internal Audit Section Performance**

9. A review of the performance of the internal audit function is provided in **Appendix 2**. Analysis of audit days delivered for the 2013/14 planning period is provided in **Appendix 3**.
10. In summary, the performance level in implementing audit recommendations confirmed by formal follow-up reviews has continued to improve. There has been some improvement in the timely production of draft reports although the issuing of final reports on a timely basis still requires further attention.
11. Completion of the 2013/14 audit plan is still behind programme. Two interim senior auditors have been recruited to work until the end of the financial year and into the first quarter of 2014/15 to ensure carry forward work from the 2013/14 audit plan to 2014/15 is completed.
12. Two permanent senior auditors commenced work at the beginning of January 2014 which now brings the internal audit section to a full complement of staff. The audit reviews being delivered by these new permanent and temporary staff is predominantly at fieldwork stage, so that the positive impact on audit plan delivery will start to be reflected in the next two months.

### **Development of the Internal Audit Section**

13. The Audit Section will be peer reviewed at the end of February 2014 by the Head of Governance from London Borough of Croydon. This assessment will review our compliance with the new Public Sector Internal Audit Standards and the outcome will be reported to the May Committee.

### **Conclusion**

14. Internal audit's opinion on the City's overall internal control environment is that it remains adequate and effective. Some areas of control do need focused improvement by management, as identified through amber recommendations made within internal audit reports. As a result of additional investigation work, some areas of the audit plan have been re-prioritised or re-scheduled, with additional interim auditor resource now secured to maintain adequate audit coverage. The internal audit section is now at full complement, with additional resources in place to ensure adequate internal audit coverage is maintained.

**Appendices**

- Appendix 1 – 2013/14 Audit Plan Changes
- Appendix 2 – Review of Internal Audit Performance
- Appendix 3 – Audit Resource Analysis

**Background Papers:**

2013/14 Internal Audit Plan

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