

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	17/09/2015
<b>Subject:</b> Internal Audit Update Report	<b>Public</b>
<b>Report of:</b> Head of Internal Audit and Risk Management	<b>For Information</b>

### Summary

This report provides an update on internal audit activity since the Committee last met. It also sets out the overall 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 opinion is that the overall internal control environment is adequate and effective although some areas require strengthening.

The outcomes of the internal audit work finalised since the last Committee are summarised in Appendix 1. Seventeen assurance reviews have been finalised since the last report to the Committee. There were no Red reviews reported. Ten reviews resulted in Amber assurance opinions and seven in Green opinions. Both Amber and Green opinions represent adequate control environments.

As at 25 August 2015, 21% of the 2015-16 internal audit plan had been completed to draft report stage. Although this is fewer than expected, a further 41% of reviews are in progress and the internal audit plan is on target to be completed by 31 March 2016.

Audit follow up work demonstrates that the performance of the Corporation of London in implementing recommendations is generally effective with no Red recommendations outstanding which should have been implemented. 82% of the 57 Amber recommendations followed up had been implemented with a further 11% partially implemented. 7% of the recommendations had not yet been implemented but plans are in place to implement them and future progress will be reported to the Committee

### Recommendation(s)

Members are asked to note the update report.

## **Main Report**

### **Background**

1. This report sets out internal audit activity since the last report to Committee and the opinion of the Head of Internal Audit and Risk Management in relation to the adequacy and effectiveness of the control environment.

### **Current Position**

2. The outcomes of the internal audit work finalised since the last Committee have been reported to Members within the monthly briefings issued. Copies of these can be seen in **Appendix 1**. Seventeen assurance reviews have been finalised since the last report to the Committee. There were no Red reviews reported. Ten reviews resulted in Amber assurance opinions and seven in Green opinions. Both Amber and Green opinions represent adequate control environments.
3. In addition to Amber and Green reports, a further three reviews have been completed in respect of grant verification related work, along with the report on Cyber Security, which all had satisfactory outcomes.
4. No fundamental control failings that need to be brought to the attention of Members have been identified from the work performed to date in the 2015-16 plan

### **Internal Audit Section Performance and Delivery**

5. Performance levels against KPIs are generally good, although some improvement in the speed of delivery of audits is required and changes in working practices have been implemented to ensure the plan is delivered on time. Completion of the 2015-16 audit plan to draft report stage was 21% at 25 August 2015 which is below expected performance. However, a further 41% of the planned audits are in progress and there is sufficient time and resources to complete the remainder of the plan by 31 March 2016.
6. Details of performance levels against targets are set out below:

## Performance Indicators

Performance Measure	Target	Actual
1. Completion of the audit plan	100% of planned audits completed to draft report stage by end of plan review period (31 March 2016)	21%
2. Percentage (%) recommendations confirmed fully implemented at time of formal follow up	Red – 100% Amber – 80%	Red – n/a Amber – 82%*
3. Timely production of draft report	Average time taken to issue draft reports after end of fieldwork – target 28 days	27 days
4. Timely response to draft report	Average time taken to obtain a full management response after issue of draft report –target 28 days	24 days
5. Timely issue of final report	Average time taken to finalise the review after full response from management – target 7days	7 days
6. Customer satisfaction	Through key question on post audit surveys – target 90%	100%
7. Percentage (%) of audit section staff with relevant professional qualification	Target 75%	78%

\*Note – a further 11% were established to be partially implemented.

## Implementation of Audit Recommendations

- There are no RED recommendations outstanding beyond their due implementation dates. Follow up work since the last Committee has examined the implementation of 57 Amber recommendations. Of the 57 amber recommendations followed up we concluded that 47 (82%) had been fully implemented, 6 (11%) had been partially implemented and 4 (7%) had not yet been implemented. In the case of those that had not been implemented yet, plans are in place to resolve the issues and implementation will be reported to Members at a future meeting.

## Conclusion

- Internal Audit's opinion of the City's overall internal control environment is that it remains adequate and effective although some areas of the financial and operational framework do require strengthening by management as identified in Amber reports highlighted to the Committee in Members Briefings.

## Appendices

- Appendix 1 – Members briefings

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