

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	26/01/2016
<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>
<b>Report author:</b> Chris Harris – Head of Internal Audit and Risk Management	

### Summary

This report provides an update on internal audit activity since the September 2015 Committee. 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. Ten assurance reviews have been finalised since the last report. There were no Red assurance reviews. Six reviews resulted in Amber assurance opinions and four in Green assurance opinions. Both Amber and Green opinions represent adequate control environments.

As at 05 January 2016, 49% of the 2015-16 internal audit plan had been completed to final and draft report stage. Although this is fewer than expected, a further 26% of reviews are in progress. In addition to the four IT reviews outsourced to RSM, a further five reviews have been outsourced to provide additional resources and the internal audit plan is expected 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. 72% of the 29 Amber recommendations followed up had been implemented with a further 14% partially implemented. 14% 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

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 update to Committee have been reported in Members' briefings. Ten assurance reviews have been finalised since the last report. There were no Red assurance reviews reported. Six reviews resulted in Amber assurance opinions and four in Green assurance opinions. Both Amber and Green opinions represent adequate control environments.
3. In addition to Amber and Green Assurance reports, a further four advisory reviews have been completed in respect of, contract variations, compensation claims, the Mansion House plate review and Guildhall Club accounts, 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. However, we have noted a number of amber priority recommendations have been raised throughout reports relating to evidencing various checking control tasks performed; such as manager approval, reconciliations and independent review. All of these recommendations will be followed up.

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

5. 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 final and draft report stage was 49% at 07 January 2016, which is below expected performance. However, a further 26% of the planned audits are in progress and there are sufficient resources to complete the remainder of the plan by 31 March 2016. Delivery is broadly in line with performance at the same stage last year.
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)	49%
2. Percentage (%) recommendations confirmed fully implemented at time of formal follow up	Red – 100% Amber – 80%	Red – n/a Amber – 72%*
3. Timely production of draft report	Average time taken to issue draft reports from end of fieldwork. Target 28 days.	18 days
4. Timely response to draft report	Average time taken to obtain a full management response. Target 28 days from issue of draft report.	48 days**
5. Timely issue of final report	Average time taken to finalise the review following full I response from management. Target 7 days.	18 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 14% were established to be partially implemented.

\*\*Distorted due to a significantly long time to obtain a response to two reports, although management did keep us updated on delays. Expected to improve significantly by end of the financial year

\*\*\* Affected by a number of responses being received just before the Christmas break. Expected to improve significantly by end of the financial year.

## 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 29 Amber recommendations. Of the 29 amber recommendations followed up we concluded that 21 (72%) had been fully implemented, 4 (14%) had been partially implemented and 4 (14%) 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 – Progress against the internal audit plan 2015-16

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