

Committee:	Date:
Audit & Risk Management Committee	25 th September 2018
Subject: Internal Audit Recommendations Follow-up	Public
Report of: Head of Audit & Risk Management	For Information

Summary

This report provides an update on the outcome of a recent follow-up exercise focused on red and amber priority recommendations due for implementation by 31st July 2018. There were two live red priority and 81 amber priority recommendations which were not due for implementation by 31st July 2018 i.e. outside the scope of this formal follow-up exercise.

Follow-up testing has confirmed that 37% of high priority recommendations were fully implemented, 38% were partially implemented, and 25% had not been implemented or evidence had not been provided to demonstrate implementation. **Appendix 1** summarises the outcomes by department.

There were five red priority recommendations within the scope of the recent follow-up exercise: one relating to Barbican – Retail & Bars (implementation evidenced), one relating to Guildhall School – Baxter Storey Contract Management (partially implemented), two relating to the City of London Police (CoLP - one where implementation has been evidenced and a further recommendation where audit testing has been arranged), and one relating to Town Clerk's: Member & Officer Declarations (partially implemented) for which a revised target timescale is to be confirmed following a decision by Establishment Committee.

Where high priority recommendations were outstanding in full or in part at the time of audit follow-up, further updates have been sought from management to confirm timescales for resolution. Analysis of these high priority recommendations not fully implemented is shown at **Appendix 2**, Internal Audit will continue to liaise with recommendation owners to confirm timescales for implementation where these are not currently known and to obtain evidence of full implementation accordingly.

Appendix 3 sets out high priority recommendations which Management do not intend to implement i.e. where the risk has been accepted. In confirming the status of these recommendations with client owners, Internal Audit has been advised of the reinstatement of a recommendation by CoLP, as set out within this report, and a revised target timescale for implementation is to be confirmed.

Members are asked to:

- Note the recommendations follow-up report and the high priority recommendations which Management do not intend to implement.

Main Report

Monitoring of High Priority Recommendations

1. The high priority (red and amber) recommendation monitoring process is operating as follows:
 - Updates on implementation are sought quarterly;
 - Recommendations are assessed as “implemented” only where suitable evidence has been provided to Internal Audit, rather than advised by management / recommendation owners;
 - Where evidence is not provided, recommendations are assessed as either partially or not implemented and a revised target is agreed, recognising this Committee’s view that there should be only one extension to implementation deadlines.
2. Management continue to be reminded that any implementation actions which are extended beyond the revised target date may be subject to challenge by this Committee and senior management / recommendation owners asked to attend to explain the issues in progressing agreed actions to timescale.

Formal Audit Follow-ups

3. The corporate follow-up exercise has recently been completed in respect of all live red and amber priority recommendations due for implementation by 31st July 2018. Status updates were sought from recommendation owners and evidence was requested of progress in implementation.
4. A summary of follow-up outcomes by department is shown at **Appendix 1** and demonstrates that implementation was confirmed for 37% of high priority recommendations, partial implementation was confirmed for 38%, and the remaining 25% had not been progressed or evidence was not supplied to Internal Audit to demonstrate implementation.
5. High priority recommendations not implemented or only partially implemented are summarised at **Appendix 2** and a comparison of revised target dates to original agreed dates is shown where available. Recommendation owners have been reminded of revised follow-up arrangements and the need to provide evidence of full implementation in order for recommendations to be closed down. Internal Audit has also reiterated that revised timescales should be set only in exceptional circumstances.
6. There were five red priority recommendations within the scope of the follow-up exercise, as follows:

Dept	Audit	Area	Follow-Up Outcome
Barbican	Retail & Bars	Cash-Handling	Implementation Evidenced

Dept	Audit	Area	Follow-Up Outcome
CoLP	Programme Management	Measuring Success & Benefits	Implementation Evidenced
CoLP	Seized Goods	Property Storage Locations	Audit testing to be arranged
GSMD	Baxter Storey	H&S Actions	Partially Implemented
Town Clerk	Member & Officer Declarations	Monitoring of Officer Declarations	Partially Implemented

7. A revised target timescale for demonstration of full implementation has been supplied in respect of the Baxter Storey recommendation, reflecting that the Health & Safety inspection referred to takes place annually and evidence cannot be supplied until the next one takes place. A revised target timescale for full implementation of the recommendation related to Town Clerk's – Member & Officer Declarations will be subject to decision-making by Summit Group (26/09/18) and Establishment Committee (22/10/18). Appendix 2 sets out the detail in respect of live recommendations within the scope of the follow-up exercise.

Live High Priority Recommendations

8. Aside from those recommendations subject to recent formal follow-up activity, there are 83 live high priority recommendations (two red, 81 amber) which are not yet due for implementation and a number of audit reports which are in the process of being finalised, containing further high priority recommendations. Internal Audit continue to liaise with recommendation owners to obtain evidence of implementation in accordance with the formal follow-up process and the outcome of these exercises will continue to be reported to this Committee on a quarterly basis.

High Priority Recommendations Not Accepted by Management

9. While every effort is made to ensure that high priority recommendations are implemented within appropriate timescales, there may be occasions where Management have decided that the risk is not sufficiently great to allocate resources to address the control improvement. Going forward, Members are asked to consider the Management response in relation to these recommendations. After consideration by the Committee, the recommendations will either be closed, or Management reconsideration will be requested. Appendix 3 sets out the detail of three current high priority recommendations which have not been agreed by management i.e. the risk has been accepted.
10. In preparing Appendix 3, details of 'risk accepted' recommendations have been discussed with client owners. The CoLP has advised Internal Audit of the reinstatement of a recommendation where management had previously accepted the risk of non-implementation. The recommendation detail is set out below with the updated management response. A revised target timescale has been set for 31 December 2018 for full implementation of this recommendation and formal follow-up activity will be undertaken in line with this date.

Recommendation Detail	Management Comment
<p>City of London Police – Seized Goods:</p> <p>A spot check of processed disposals should be conducted on a regular basis to confirm compliance with procedures and to identify any inappropriate disposals.</p>	<p>This recommendation has now been assigned to PSD within Force and we will now be taking steps within this department to implement the recommendation. PSD will be implementing a series of quarterly spot checks into this area which will start as soon as possible and we envisage adding this as an indicator within the Integrity Dashboard reported to ISB (Integrity Standards Board). At this time the spot checks have not commenced and the ISB will receive updates on progress going forward.</p>

Conclusion

11. The recent corporate follow-up exercise has determined the status of live high priority recommendations due for implementation by 31st July 2018. Of the five red priority recommendations within the scope of the follow-up exercise, two have been confirmed as fully implemented, two as partially implemented, and one (CoLP) where evidence is required to confirm full implementation.
12. Overall, follow-up testing determined that 37% of recommendations had been implemented in full, 38% had been partially implemented and 25% had not been implemented / implementation could not be confirmed. Internal Audit work is ongoing to confirm revised target dates for full implementation where these have not been supplied by recommendation owners, reiterating that these should be extended only in exceptional circumstances.
13. There are two live red priority recommendation which are outside the scope of the follow-up exercise as these were not due for implementation by 31st July 2018.
14. There are three current high priority recommendations which have not been agreed by management i.e. the risk has been accepted.

Appendices

- **Appendix 1 – Summary of formal follow up outcomes**
- **Appendix 2 – Analysis of follow-up recommendations not implemented**
- **Appendix 3 – Details of ‘Risk Accepted’ Recommendations**

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