

<b>Committee:</b>	<b>Date:</b>
Audit & Risk Management Committee	15 <sup>th</sup> January 2019
<b>Subject:</b>	<b>Public</b>
Internal Audit Recommendations Follow-up	
<b>Report of:</b>	<b>For Information</b>
Head of Audit & Risk Management	

### 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 30<sup>th</sup> November 2018. There were 125 such recommendations within the scope of this formal follow-up exercise.

Audit testing has confirmed that 52% of high priority recommendations were fully implemented at the time of follow up, 17% were partially implemented, and 31% had not been implemented or evidence had not been provided to demonstrate implementation. **Appendix 1** summarises the outcomes by department.

There were three red priority recommendations within the scope of the follow-up exercise, two of which related to the City of London Police (not implemented) and revised target timescales for implementation are required. The remaining recommendation (partially implemented) arose from an audit of a Guildhall School / Barbican Centre contract and cannot be assessed as 'implementation evidenced' until such time as the corporate catering contract which replaced it has been signed; this is outside the control of the Guildhall School and Barbican Centre.

There are four further live red priority recommendations, not due for implementation by 30<sup>th</sup> November 2018, which are detailed in this report: one relating to the corporate catering contract, two related to the City of London Police and one related to the Town Clerk's Department.

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 high priority recommendations not fully implemented is shown at **Appendix 2** and identifies where original target dates had previously been exceeded and revised dates supplied which have also not been met. Implementation of 20 recommendations (33% of those outstanding from follow-up) has exceeded revised target dates. Internal Audit has reiterated the need for management to set realistic and appropriate target implementation timescales and will continue to liaise with recommendation owners to confirm these where not already supplied.

Members are asked to:

- Note the recommendations follow-up report.

- Agree an approach for responding to repeated revision of target dates, including potential increased frequency of implementation monitoring / reporting.

## **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 approximately quarterly;
  - Recommendations are assessed as “implemented” only where suitable evidence has been provided to Internal Audit, rather than on the basis of management / recommendation owner advice;
  - Where evidence is not provided, recommendations are assessed as either partially or not implemented, an explanation is required for slippage in implementation and a revised target must be supplied, 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.
3. Nominated Audit Liaisons in each client department are responsible for collating recommendation status updates and evidence, as well as communicating explanations for implementation slippage and revised target dates to Internal Audit. Following a successful pilot exercise within both the Community and Children’s Services Department and Chamberlain’s IT Division, access to the software used by Internal Audit for recommendations tracking has been rolled out fully to the following departments: the Guildhall School, the Barbican Centre, the City Surveyor’s Department, and the Markets and Consumer Protection Department.
4. The recent follow-up exercise was the first one since ‘business user’ roll-out and the process has worked as intended, with support provided by Internal Audit. It is anticipated that the resource input to capture and submit the required information for follow-up purposes will reduce as business users become more familiar with the software. In addition, Internal Audit are actively looking at ways to streamline the follow-up approach and reduce the impact upon available resource for Audit Plan delivery.

### **Formal Audit Follow-ups**

5. The corporate follow-up exercise has recently been completed in respect of all live red and amber priority recommendations due for implementation by 30<sup>th</sup>

November 2018. A summary of follow-up outcomes by department is shown at **Appendix 1** and demonstrates that implementation was confirmed for 52% of high priority recommendations, partial implementation was confirmed for 17%, and the remaining 31% had not been progressed or evidence was not supplied to Internal Audit to demonstrate implementation progress.

6. 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. The summary identifies where revised target dates, supplied where original target dates or previous revised target dates had been exceeded, have not been met. Follow-up enquiries confirmed that revised target dates for implementation have been not been achieved in respect of 20 recommendations relating to the following departments / areas:

<b>Department</b>	<b>No. of Recs</b>
Corporate (Business Travel)	1
Chamberlain's IT	1
City of London Police	6
City of London Freeman's School	1
City of London School	1
City of London School for Girls	3
City Surveyor	1
Guildhall School of Music & Drama *	6
<b>Total</b>	<b>20</b>

7. Four of the Guildhall School recommendations reflected in the above table relate to a corporate contract and the outstanding implementation action is outside of the control of the School. Internal Audit has reiterated to all Chief Officers, Audit Liaisons and recommendation owners that revised timescales should be set only in exceptional circumstances and it is intended that a further communication be sent to all Chief Officers in this respect.
8. There were three red priority recommendations within the scope of the follow-up exercise, as set out below:
- City of London Police: Seized Goods – Property storage locations (not implemented). A revised target timescale for implementation is required.
  - City of London Police: Freedom of Information - Action plan to address non-compliance (not implemented). A revised target timescale for implementation is required.
  - Guildhall School: Catering Contract Management – contract documentation (partially implemented). This recommendation cannot be closed down until such time as the new corporate catering contract, which replaced the local contract that was subject to audit, has been signed; this is outside the control of the Guildhall School and Barbican Centre.

9. Internal Audit will continue to make enquiries in respect of these live red priority recommendations, ahead of the next formal follow-up exercise, to ascertain the progress of implementation and the expected timescales for resolution.

### **Live High Priority Recommendations**

10. As at mid-December 2018 there are 82 live amber priority recommendations 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.
11. There are four further live red priority recommendations which were not within the scope of the follow-up exercise i.e. due for implementation after 30th November 2018 and these are set out below:
- Guildhall School / Barbican Centre – this recommendation (partially implemented) relates to the corporate catering service which commenced in September 2018. The target timescale for implementation is currently 31<sup>st</sup> December 2018 but as with the above red priority recommendation, this cannot be closed down until such time as the new corporate catering contract has been signed; this is outside the control of the Guildhall School and Barbican Centre.
  - Town Clerk's: Declarations of Interest – monitoring arrangements for officer declarations (partially implemented). The target timescale for this recommendation is 30<sup>th</sup> April 2019 which is linked to completion of the following actions:
    - Revised Code of Conduct drafted and will be accompanied by FAQs, Examples of Conflicts of Interest, a Reviewing Managers Guide, updated DOI and ROI forms, a HR Topics page on Conflicts of Interest
    - An annual campaign will include: Town Clerk's Message, Managers Briefing, Intranet article, Employee & Manager Self-Service news items in 'City People' and an email from each Chief Officer to all staff in their department (noting any separate arrangements for absent staff or those without computer/mobile access). Chief Officers annual review will be co-ordinated by the office of the Director of HR.
    - New starters will make any conflict of interest declarations on joining COL.
  - City of London Police: Police Bank Accounts – the two recommendations relating to reconciliation of funds and reconciliation of balance sheets have target timescales of 31<sup>st</sup> December 2018.
12. Updates on the implementation position for these red priority recommendations will be provided to the next meeting of this Committee. Formal follow-up will take place in accordance with the agreed cycle.

## **Conclusion**

13. The recent corporate follow-up exercise in respect of high priority recommendations due for implementation by 30<sup>th</sup> November 2018 confirmed that 52% had been implemented in full, 17% had been partially implemented and 31% had not been implemented / implementation could not be confirmed. Three red priority recommendations were within the scope of this exercise and remain outstanding. A further four red priority recommendations are not yet due for implementation as at mid-December 2018. 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.

## **Appendices**

- **Appendix 1 – Summary of formal follow up outcomes**
- **Appendix 2 – Analysis of follow-up recommendations not implemented**

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