Committee:	Date:
Audit & Risk Management Committee	7 May 2019
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 March 2019. There were 145 such recommendations within the scope of this formal follow-up exercise.

Audit testing has confirmed that 48% of high priority recommendations were fully implemented at the time of follow up, 23% were partially implemented, and 29% had not been implemented or evidence had not been provided to demonstrate implementation. **Appendix 1** summarises the outcomes by 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. 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.

As at 1st April 2019 there are six live red priority and 79 live amber priority recommendations with future target / revised target implementation dates. The live red priority recommendations are detailed within this report.

Members are asked to:

- Note the recommendations follow-up report.

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.

4. Since the last follow-up report to this Committee in January 2019, there has been further progress is rolling out departmental access to the software used by Internal Audit for recommendations tracking. 'Business Users' are now fully operational in the following departments: Community and Children's Services, Guildhall School, Barbican Centre, City Surveyor's, Markets and Consumer Protection, Town Clerk's, Chamberlain's (IT and Procurement), and Open Spaces.

5. The recent follow-up exercise was, for some departments, the first one since 'business user' roll-out and Internal Audit provided support to ensure that the process worked as intended. 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.

Future Approach to Follow-Up

6. Internal Audit has been actively looking at ways to streamline the follow-up approach and reduce the impact upon available resource for Audit Plan delivery. It is proposed that Internal Audit undertake more regular follow-up of high priority recommendations to promote regular monitoring of implementation by departmental Senior Management and reduce the perception that this activity as a 'bolt on'; recommendation tracking should be part of business as usual arrangements.

Follow-Up Outcome

7. The corporate follow-up exercise has recently been completed in respect of all live red and amber priority recommendations due for implementation by 31st March 2019. A summary of follow-up outcomes by department is shown at **Appendix 1** and demonstrates that implementation was confirmed for 48% of

high priority recommendations, partial implementation was confirmed for 23%, and the remaining 29% had not been progressed or evidence was not supplied to Internal Audit to demonstrate implementation progress.

8. 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.

9. Follow-up enquiries confirmed that revised target dates for implementation have been not been achieved in respect of 25 recommendations relating to the following departments / areas:

Department	No. of Recs
Barbican	5
Chamberlain's Procurement	1
City of London School for Girls	3
City Surveyor *	1
Community & Children's Services	6
Guildhall School of Music & Drama **	6
Mansion House	1
Town Clerk's	1
Total	**24**

10. The outstanding action in respect of the City Surveyor's Department recommendation relates to an IT solution, whereby the BMS communication network must be fully segregated from the main corporate IT network. Three 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.

11. Internal Audit has reiterated 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 when notifying them of the revised follow-up arrangements.

Live High Priority Recommendations

12. As at mid-April 2019 there are 6 live red priority and 79 live amber priority recommendations with target implementation dates after 1st April 2019 and a number of audit reports which are in the process of being finalised, containing further high priority recommendations.

13. The live red priority recommendations relate to the following:

- Guildhall School / Barbican Centre – this recommendation (partially implemented) is related to the corporate catering service which commenced in September 2018, specifically management of external Health & Safety inspection reports. A revised target timescale of 30th April 2019 has been

supplied for demonstration of full implementation i.e. demonstration that there is an established mechanism for monitoring of Health and Safety recommendations to completion.

- Town Clerk's: Declarations of Interest – monitoring arrangements for officer declarations (partially implemented). The target timescale for this recommendation is 30th 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 CityPeople and an email from each Chief Officer to all staff in their department (noting an 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.

- CLFS Cyber Security – Penetration Tests. The School has advised that the target implementation date has been revised from February to September 2019 following a large-scale infrastructure upgrade taking place from April 2019.

- CLFS Cyber Security – USB Ports. The recommendation, related to locking down of USB drives to prevent use or enforcement of USB encryption prior to data transfer, has a revised target implementation date of June 2019.

- CLS Cyber Security – Penetration Tests. The School will review the vulnerabilities noted above from the October 2018 penetration test. It is understood that a number of these vulnerabilities have been addressed where possible. A further penetration test will be undertaken by 30th October 2019 to evaluate implementation.

- CLS Cyber Security – USB Ports. The recommendation, related to locking down of USB drives to prevent use or enforcement of USB encryption prior to data transfer, has a target implementation date of May 2019.

14. Updates on the implementation position for all 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

15. The recent corporate follow-up exercise in respect of high priority recommendations due for implementation by 30th November 2018 confirmed

that 48% had been implemented in full, 23% had been partially implemented and 29% 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.

16. As at 1st April 2019 there are six live red priority recommendations and 79 live amber priority recommendations. Internal Audit has proposed more regular follow-up of high priority recommendations to promote on-going monitoring of implementation by departmental management.

Appendices

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

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