

<b>Committee:</b>	<b>Date:</b>
Audit & Risk Management Committee	9 <sup>th</sup> September 2014
<b>Subject:</b>	<b>Public</b>
Internal Audit Recommendations Follow-up	
<b>Report of:</b>	<b>For Information</b>
Chamberlain	

### Summary

This report provides an update on the implementation of audit recommendations by management since the last follow-up report to the Audit & Risk Management Committee on 13<sup>th</sup> May 2014.

Five formal audit review follow-ups have been concluded since the May Committee with 84% of recommendations either fully implemented or superseded at the time of follow up; an overview of these is provided at **Appendix 1**.

At the end of August 2014 there are no outstanding red priority actions from reviews previously concluded and reported to this Committee.

Cumulative performance in the implementation of audit recommendations over the last 24 months has been monitored with 83% of audit recommendations confirmed as implemented, when formal audit follow-ups were undertaken. Where red and amber priority recommendations were still to be implemented at the time of audit follow-up, further updates have been sought from management to confirm timescales for resolution.

Management status updates on all open red and amber actions are provided in **Appendix 2**. The trend towards prompt implementation of amber recommendations following the agreement of internal audit reports continues to be in evidence.

Targeted follow-up with Chief Officers continues to reiterate the importance of keeping to agreed timescales for the implementation of recommendations.

The recommendation tracking pilots, whereby Departments are able to provide direct updates on implementation to the MK audit software, are on-going within the Department of Community and Children's Services and Open Spaces Department. Good progress has been made in closing off recommendations within the Open Spaces Department following a concerted effort by the audit liaison to obtain evidence of implementation for review by Internal Audit.

In addition to the 11 amber open actions which are being progressed according to agreed timescales, there are 245 open green priority actions as at the end of August 2014.

Members are asked to:

- Note the recommendations follow-up report; and
- Note performance in the timely implementation of recommendations following the agreement of internal audit reports continues to be in evidence.

## Main Report

### Formal Audit Follow-ups

1. Details of the 7 formal audit review follow ups concluded since the May 2014 report to the Committee are set out in Appendix 1, along with comments where internal audit recommendations were yet to be implemented.
2. As at the end of August 2014, cumulative performance in the implementation of audit recommendations when formal audit follow-ups were undertaken, over the last 24 months, is as follows:-

<b>Implementation at time of audit follow-up (last 2 years)</b>	Red	Amber	Green	Total
Recommendations Agreed	11	76	186	273
Recommendations Implemented	11	67	148	226
% implemented	100%	88%	80%	83%

3. No red or amber priority recommendations are outstanding from the formal follow-up reviews completed since the last update to this Committee.

### Red and Amber Priority Recommendations Status

4. In addition to this formal audit follow-up process, internal audit obtains status updates from recommendation owners on a quarterly basis for any open red or amber priority recommendations. The outcomes from these status checks are reported in Appendix 2 and summarised in the following table.
5. There are currently no open red priority actions as these are nearly always implemented before or very soon after internal audit work is finalised. Similarly good performance in the prompt implementation of amber recommendations following the agreement of internal audit reports is reducing the number of open amber priority recommendations that require monitoring. There are currently 11 live amber priority recommendations, when at a similar point last year 14 amber recommendations were open. This table does not include amber actions agreed and subsequently implemented.

Open Amber/ Red Actions	Total	On-track per original agreed dates	Revised target date compared to original				Revised date to be agreed	Implementation Planned in future		
			1-3 mths	4-6 mths	7-12 mths	12 + mths		Next 3 mths	Next 4 to 6 mths	More than 6 mths
Red	-	-	-	-	-	-	-	-	-	-
Amber	11	5	1	1	1	2	1	5	1	2
<b>Total.</b>	<b>11</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>3</b>

\* Details of the one amber priority recommendations where the revised target dates exceed by 12 months the original agreed date are as follows:- (Additional information is in Appendix 2):-

- Open Spaces: Chingford Golf Course (2010 Audit) – the recommendation to market test the management contract, last undertaken in 2001 – at the time of audit, was delayed initially pending developments and optional appraisal relating to the future of the site. On 6th January 2014, the Director of Open Spaces met with officers from Procurement, Audit and Epping Forest; regarding the planned tendering approach. Discussion about the nature of the service resulted in the procurement officer advising that tendering would not yield income benefits greater than currently achieved. It was determined that a recovery plan should be instigated and that a performance based contract introduced with the current contractor. The Visitor Services manager, responsible for this work, resigned in February 2014 and to date it hasn't been possible to appoint a suitable successor. As an interim arrangement, the Superintendent informed Aytee Sports of the intention to move to performance contract. One of the Epping staff, who is managing this work on an interim basis, has been able to introduce two elements of the recovery plan:-

- 1) A new loyalty membership scheme,
- 2) Removal of the "red rule" which required all golfers to wear a red top when playing.

We are advised that these interim arrangements are showing some early improvement in the level of use. Once an appointment of the Visitor Services Manager can be achieved, it will be a high priority for a new performance contract to be completed, together with a full recovery plan. It is estimated that delivery of these objectives will be within 7 to 12 months of appointment.

- DCCS: Affordable Housing (2012 Audit) – the recommendation to include the on-going revenue costs of additional housing units, plus estimates for rental income, within the 30-year Housing Business Plan has been delayed by development of the Asset Management Strategy. A revised target date of the end of November 2014 has been agreed with the client to allow for ratification of the Strategy.

### **Implementation of Recommendations according to agreed timescales**

6. Recommendation owners are subject to challenge by Internal Audit where any slippage in implementation occurs; this is to ensure that revised timescales are only agreed in exceptional circumstances. There is a strong focus on the agreement of realistic implementation dates when audit reviews are being

finalised and this is reflected in the high level of implementation at the time of formal follow-up exercises.

7. There continues to be targeted follow-up with Chief Officers to reinforce the importance of keeping to the original agreed timescales for the implementation of recommendations and the need for adherence to any agreed revisions to timescale. The recommendations tracking pilot exercise, whereby client Departments can use the MK audit software to update the status of audit recommendations and submit evidence of implementation for evaluation by internal audit is progressing. This functionality continues to be trialled within both the Department of Community and Children's Services and the Open Spaces Department for all recommendation priorities. Activity since the last update to this Committee has been focused in the latter, following an evidence-gathering exercise by the client Audit Liaison. Progress has been made in closing down a small number of recommendations, as well as demonstrating progress towards implementation for others.

### **Conclusion**

8. There is a very high level of acceptance of internal audit recommendations and good communication with clients in respect of the progress of recommendations implementation. There remain a small number of historic amber priority recommendations where original agreed timescales have not been achieved where revised implementation dates have been agreed, but the trend towards prompt implementation of high priority recommendations following the agreement of internal audit reports continues.

### **Appendices**

- **Appendix 1 – Formal Audit Follow-up reviews**
- **Appendix 2 – Red and Amber actions status update**

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