

<b>Committee:</b>	<b>Date:</b>
Audit & Risk Management Committee	8 <sup>th</sup> December 2014
<b>Subject:</b> Internal Audit Recommendations Follow-up	<b>Public</b>
<b>Report of:</b> Head of Audit and Risk Management	<b>For Information</b>

### **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 9th September 2014.

Six formal audit review follow-ups have been concluded since the September Committee with 74% of recommendations either fully implemented or superseded at the time of follow up; an overview of these is provided at **Appendix 1**.

At the middle of November 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 86% 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 and these are outlined within this report

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 evident and there are ten live amber priority recommendations at the time of reporting, six of which relate to historic audits (i.e. 2013/14 or earlier).

A review of recommendation statuses has been carried out by Internal Audit since the last update to this Committee, at which time there were eleven live amber and 245 live green priority recommendations. This exercise was focused on confirming the status of longstanding green priority recommendations, as amber issues are the subject of regular review and update. The outcome has been the closing down of a significant number of green priority recommendations, implementation having been confirmed or recommendations having been superseded. The current position as at the middle of November 2014 is that in addition to the ten amber open actions which are outlined in Appendix 2, there are 160 open green priority actions.

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 evident.

### **Main Report**

## Formal Audit Follow-ups

1. Details of the six formal audit review follow ups concluded since the September 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 middle of November 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	12	80	179	271
Recommendations Implemented	12	71	150	233
% implemented	100%	89%	84%	86%

3. Formal follow-up activity since the last update to this Committee identified four amber priority recommendations which remained live at the time of testing. It is understood that two of these have since been implemented. The two remaining live amber priority issues are included within the report at Appendix 2.

## Red and Amber Priority Recommendations Status

4. In addition to the 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 ten live amber priority recommendations.

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	10	3	-	-	1	3	4	2	-	4
<b>Total.</b>	<b>10</b>	<b>3</b>	-	-	<b>1</b>	<b>3</b>	<b>4</b>	<b>2</b>	-	<b>4</b>

\* Details of the three amber priority recommendations where the revised target dates exceed by 12 months the original agreed date are as follows:-

- Open Spaces -Chingford Golf Course (2010 Audit): the recommendation to market test the management contract, last undertaken in 2001, was delayed initially pending developments and optional appraisal relating to the future of the site. Officers from City Procurement advised in early 2014 that tendering would not yield income benefits greater than currently achieved and it was determined that a recovery plan should be instigated, as well as a performance based contract introduced with the current contractor. The Visitor Services manager, responsible for this work, resigned in February 2014 and a recruitment exercise is in progress to appoint a successor. 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.
- Markets and Consumer Protection – Car Parks (2012 Audit): implementation of the recommendation to address the poor quality of management information available from the car park barrier system at Smithfield has been delayed. The barrier equipment replacement is included in the procurement of the off-street car park management contract and the current contract (with APCOA) has been further extended. It is understood that procurement is in progress and the new contract start date will be 1<sup>st</sup> April 2015. The contract award is due to be announced towards the end of November 2014 and equipment replacement will take place within 12 months of contract commencement.

Community & Children's Services – Affordable Housing (2012 Audit): One amber priority recommendation is outstanding in respect of inclusion of the on-going revenue cost of additional housing units, plus estimates for rental income, within the 30-year Housing Business Plan. Confirmation is awaited of the current position regarding implementation.

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

6. Recommendation owners continue to be 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 generally high level of implementation at the time of formal follow-up exercises.
7. As reported earlier in this update report, there are a small number of longstanding amber priority recommendations where there have been several revisions to original timescales. Client liaison is on-going in these areas to ensure that Internal Audit continue to be kept informed of matters affecting the progress of implementation.

### **Closure of outstanding green recommendations**

8. A review of recommendation statuses has been carried out by Internal Audit since the last update to this Committee, at which time there were eleven live amber and 245 live green priority recommendations. This exercise was focused on confirming the status of longstanding green priority recommendations, as amber issues are the subject of regular review and update. The high number of live green priority recommendations included some which had not yet been the subject of formal follow-up or had been found to be partially implemented at the time of follow-up testing.
9. The outcome of this exercise has been the closing down of a significant number of green priority recommendations, implementation having been confirmed or recommendations having been superseded. There are now 160 live green priority recommendations and formal follow-up exercises are planned in respect of a high proportion of these; it is intended that status updates will be obtained from recommendation owners in respect of the remainder.

### **Conclusion**

10. 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, particularly related to high priority items. There remain a small number of historic amber priority recommendations (i.e. 2013/14 or earlier) where original agreed timescales have not been achieved and where revised implementation dates have either been agreed with Internal Audit or are in the process of being agreed.

### **Appendices**

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

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