

Committee:	Date:
Audit & Risk Management Committee	28 April 2015
Subject:	Public
Internal Audit Recommendations Follow-up	
Report of:	For Information
Head of Audit and Risk Management	

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 8th December 2014.

Two formal follow-up exercises have been concluded since the December Committee with 76% of recommendations fully implemented at the time of follow up; an overview of these is provided at **Appendix 1**.

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; the percentage implementation remains the same as it was at the time of the December update report. 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**. There are 16 live amber priority recommendations at the time of reporting, two of which relate to historic audits (i.e. 2013/14 or earlier).

The current position as at the end of March 2015 is that in addition to the amber open actions which are outlined in Appendix 2, there are 186 open green priority actions.

Members are asked to:

- Note the recommendations follow-up report; and
- Note performance in the implementation of recommendations.

Main Report

Formal Audit Follow-ups

1. Details of the two formal audit review follow ups concluded since the December 2014 report to the Committee are set out in **Appendix 1**, along with comments where internal audit recommendations were yet to be implemented.
2. It should be noted that the Open Spaces Forest Centres exercise was a second follow-up, undertaken because the degree of implementation of audit recommendations at the time of the initial follow-up was unsatisfactory. The

recent check identified that only 61% of recommendations had been implemented but the Chief Officer has since advised that further progress has been made in implementation since audit testing in late 2014 / early 2015. It is intended that evidence will be obtained of implementation before the outstanding recommendations are closed down on the Internal Audit management software.

3. As at the middle of March 2015, cumulative performance in the implementation of audit recommendations when formal audit follow-ups were undertaken, over the last 24 months, is as follows:-

Implementation at time of audit follow-up (last 2 years)	Red	Amber	Green	Total
Recommendations Agreed	11	83	200	294
Recommendations Implemented	11	73	168	252
% implemented	100%	88%	84%	86%

Leaving 42 recommendations as not implemented.

4. Formal follow-up activity since the last update to this Committee identified one amber priority recommendation which remained live at the time of testing; this was related to the Forest Centres exercise. The Chief Officer concerned has since advised that the recommendation has been implemented and as such this is not included within the live amber priority issues report at **Appendix 2**.

Red and Amber Priority Recommendations Status

5. 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.
6. With the exception of reports recently finalised, 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 16 live amber priority recommendations. Provided below are the details of the two 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 option appraisal relating to the future of the site. The Director of Open Spaces has advised that following the Head of Visitor Services taking up the post (9 March 2015), a fundamental review of the future of the golf course is being undertaken as part of Open Spaces

Service Based Review work. The Senior Management Team will be considering an Opportunity Outline on 13th April with delivery of an options paper planned by August. Options to be considered may include closure, a new contract, outsourcing, cost recovery and this will need to be presented to Members in the autumn for decision. The Open Spaces Director is expecting to deliver a resolution within 12 months.

- 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 was initially delayed by an extension of the off-street car park management contract with APCOA until 31st March 2015. Barrier equipment replacement will take place by 1st April 2016 until new contract arrangements.

Implementation of recommendations according to agreed timescales

7. 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. Delay in implementation is often attributable to recommendations being linked to larger change programmes, for example system / equipment upgrade, contract award, strategy development.
8. 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.
9. Formal follow ups are scheduled across the year to assess and verify that recommendations have been implemented.

Conclusion

10. There is a very high level of acceptance of internal audit recommendations and generally 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**

