

Committee(s):	Date(s):	Item no.
Audit & Risk Management Committee	5 <sup>th</sup> March 2013	
<b>Subject:</b> Audit Recommendations Follow up	<b>Public</b>	
<b>Report of:</b> Chamberlain	<b>For Information</b>	
<p><b>Summary</b></p> <p>This report provides an update on the implementation of audit recommendations by management since the last update provided to the Audit &amp; Risk Management Committee on the 12<sup>th</sup> December 2012.</p> <p>At February 2013 there are no outstanding red priority actions from reviews previously concluded and reported to this Committee.</p> <p>Three formal audit review follow-ups have been concluded since the December Committee with 64% of recommendations fully implemented at the time of follow up. Details of these recommendations are provided in <b>Appendix 1</b>.</p> <p>There were five green priority recommendations not fully implemented at time of formal follow up. None of these outstanding recommendations represent a significant risk to the activities audited.</p> <p>Cumulative performance in the implementation of audit recommendations over the last 24 months has been monitored with 73% of audit recommendations confirmed as implemented when formal audit follow-ups were undertaken. Where red and amber priority recommendations were still be implemented at the time of audit follow-up further updates have been sought from management to confirm the implementation of red and amber priority recommendations.</p> <p>Management status updates on all agreed red and amber actions is provided in <b>Appendix 2</b>. There has been delay in the implementation of three amber priority recommendations from the iTrent application review. The resource required to undertake this work for two of the recommendations is not currently available. IS Management will further consider the risks in conjunction with Internal Audit and agree whether it is appropriate that additional resource should be requested to address these recommendations or other work reprioritised to create</p>		

the required resources, following a full assessment of the risk.

There are two further amber priority recommendations where revised timescales for implementation are yet to be agreed at time of reporting. One of these relates to DCCS review of Affordable Housing where the inclusion of the on-going revenue cost of housing units, plus estimates for rental income are yet to be included with the 30 year housing business plan. This is largely due to additional research work necessary to inform assumptions about the future energy efficiency of the City's housing stock. A further priority recommendation arising from the City of London School Procurement and Compliance review relates to investigation of opportunities for collective procurement between schools.

In addition to the 19 amber open actions there are 130 open green priority actions as at February 2013.

### **Recommendation**

That the Committee note the report

## **Main Report**

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

1. Details of the three audit review follow ups conducted since the 12<sup>th</sup> December 2012 update to the Committee are set out in **Appendix 1**, along with comments on where internal audit recommendations were yet to be implemented. At time of formal audit follow-up for these four reviews, 64% of all categories of recommendations were fully implemented.
2. Five green priority recommendations had not been fully implemented at time of formal audit follow up. Two of these recommendations related to the introduction of rolling stock checks at the City of London Police store, where due to limited resources this best practice improvement has not been implemented. A full stock take is however planned to be undertaken in April 2013. Three of the green priority recommendations not implemented related to delays in the updating of procedure documentation where new systems and processes are still bedding down. None of these outstanding recommendations represent a significant risk to the activities audited.

3. Cumulative performance in the implementation of audit recommendations has been monitored over the last 24 months and reported to the Audit and Risk Management Committee. As at February 2013 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</b>	Red	Amber	Green	Total
Recommendations Agreed	6	116	362	484
Recommendations Implemented	5	71	277	353
% implemented	80%	61%	77%	73%

\* Recommendations predate RAG rating process.

4. Where red and amber priority recommendations were still to be implemented at the time of formal audit follow-up, further updates have been sought from management to confirm the implementation of red and amber priority recommendations. The one red priority recommendation that was not implemented at formal follow up stage, reported to the March 2012 Committee was implemented subsequently. At the end of February 2013 there are no outstanding red priority actions from reviews previously concluded and reported to this Committee.

### **Red and Amber Priority Recommendations Status**

5. 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 outcome from these status checks are reported in Appendix 2 and summarised in the following table. The table shows there are no open red priority actions with 19 amber priority actions open from internal audit work reported previously to Committee.

Audit Actions Status based on Management reports		Progress to agreed timescales			Implementation due in future		
	Open Actions	Progressing according to original agreed timescales	Action slipped, new target dates agreed	Revised Date to be agreed	next 3 months	Next 3 to 6 months	More than 6 months
Red actions	-	-	-	-	-	-	-
Amber actions	19	2	13	4	10	1	4
Total	19	2	13	4	10	1	4

6. There are three amber priority recommendations outstanding relating to the iTrent application (Payroll & HR database system) review undertaken last year . A recommendation concerning configuration hardening for web servers has not been progressed due to lack of resources, which will reduce the risk of loss service or malicious misuse. However a project brief for this work has been written and it is currently estimated that it will take until the end of May 2013 to complete the work on the iTrent web servers.
7. Two further recommendations have not been implemented. The first concerning writing audit trails to a secure server and automated reconciliation of audit logs. The implementation of this recommendation would increase the security of system audit trails. The resource required to undertake this work is not currently available. IS Management will further consider the risks in conjunction with Internal Audit and agree whether it is appropriate that additional resource should be requested or other work reprioritised to release resources to address this.
8. The vast majority of recommendations owners are keeping internal audit updated on any delays in implementing recommendations prior to any agreed target dates being passed. All live red and amber recommendations are now being tracked through the new MK audit automation software which is assisting with a more pro-active approach to audit recommendation follow up and reporting.

9. At the previous Committee meeting the Chairman stressed that unilateral decisions by Departments to permit slippage in the implementation of audit recommendations were not acceptable. Any delays in implementing to an agreed timetable were only acceptable if and when agreed, at a minimum, with Internal Audit. This message has been and will continue to be reinforced with Departments.

## **Conclusion**

10. There is evidence of timely completion of most agreed audit recommendations. Internal audit work focused on obtaining status update information from management of open recommendations in addition to formal audit follow-up reviews will assist in ensuring appropriate management attention is given to completing agreed audit actions.

## **Head of Audit & Risk Management**

- **Appendix 1 – Recent formal audit follow-up reviews**
- **Appendix 2 – Red and Amber actions status update**
- **Appendix 3 – Audit Follow-up process and recommendation priority definitions**

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