

Committee(s):	Date(s):
Audit & Risk Management Committee	17 th September 2013
Subject: Internal Audit Recommendations Follow-up	Public
Report of: Chamberlain	For Information

Summary

This report provides an update on the implementation of audit recommendations by management since the last update, provided to the Audit & Risk Management Committee on the 25th June 2013.

Three formal audit review follow-ups have been concluded since the June Committee with 83% of recommendations fully implemented at the time of follow up. At the end of August 2013, 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 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.

Management status updates on all agreed red and amber actions is provided in **Appendix 2**.

Updated analysis of the implementation of red and amber priority recommendations, discussed at the last Committee, shows that 83% of amber priority recommendations are implemented after the originally agreed date, with 67% implemented more than 6 months afterwards. All recommendations owners are keeping internal audit updated on any delays in implementing recommendations, with revised implementation dates always agreed with internal audit. The vast majority of revised implementation dates are agreed, prior to the agreed date being passed.

This is clearly remains an area for improvement as discussed at the June Committee. Further analysis has been undertaken to identify those departments where the more significant delays in implementation are occurring and underlying reasons for the delays. For the majority of recommendations delayed by more than 6 months, resourcing and conflicting priorities was the predominant reason given.

Targeted follow-up with Chief Officers has commenced to ensure that the importance of keeping to the originally agreed timescales for the implementation of recommendations is understood and that where revised timescales have already been agreed, that those timescales are adhered to.

This information will be fed into the performance appraisals of Chief Officers during 2013/14 and the Deputy Town Clerk's in-year performance review meetings with Chief Officers. An internal audit and risk focused meeting of the Chief Officers group is scheduled for the end of November, at which the expectations of the Audit and Risk Management Committee will be further reinforced. Internal audit procedures have been strengthened so that the explicit agreement of the Head of Audit and Risk Management is required before any changes are agreed to implementation timescales, which will only be on an exceptional basis.

In addition to the 14 amber open actions, there are 230 open green priority actions as of August 2013.

Members are asked to:

- Note the recommendations follow-up report
- Note the actions being taken to improve performance in ensuring originally agreed timescales for the implementation of recommendations are achieved.

Main Report

Formal Audit Follow-ups

1. Details of the three audit review follow ups concluded since the June 2013 update to the Committee are set out in Appendix 1, along with comments on where internal audit recommendations were yet to be implemented. The outcome of the City Bridge Trust Due Diligence audit follow-up has already been reported separately to the June Committee, including details of the two amber priority recommendations which were still to be completed fully.
2. 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 August 2013, 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	Red	Amber	Green	Total
Recommendations Agreed	6	101	328	435
Recommendations Implemented	5	68	246	319
% implemented	83%	67%	75%	73%

3. 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 August 2013, there are no outstanding red priority actions from reviews previously concluded and reported 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 outcome from these status checks are reported in Appendix 2 and summarised in the following table. The table has been extended to show the extent that target dates for the implementation of recommendations have been revised. All recommendations owners are keeping internal audit updated on any delays in implementing recommendations, with revised implementation dates always notified to internal audit. The majority of revised implementation dates are agreed, prior to the agreed date being passed. Internal audit procedures have been strengthened so that the explicit agreement of the Head of Audit and Risk Management is required before any

changes are agreed to implementation timescales, which will only be on an exceptional basis.

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. There are currently 14 amber priority actions open. This table does not include amber actions agreed and subsequently implemented. An analysis and commentary on the extent to which actions have been implemented according to their originally agreed timescales is provided in the next section of the report.

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	14	2	3	2	3	4*	-	12	1	1
Total.	14	2	3	2	3	4	-	12	1	1

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

- Open Spaces - Chingford Golf Course - recommendation to market test the management contract has been delayed pending developments and optional appraisal relating to the future of the site. The Epping Forest Committee agreed on the 8th July 2013 to complete a tendering exercise for the running of the site. The revised completion date is October 2013.
- CLSG Fee Income – the School has advised that the recommendation to reconcile the income system to the banking system regularly has been implemented on a termly basis from December 2013. Confirmation is being sought that these reconciliations are now reviewed and signed off by the Bursar.
- CLS Inventory – implementation delayed pending procurement and installation of new asset management system.
- Markets Car Parks - Smithfield barrier equipment replacement is included in the procurement of the off-street car park management contract. The current contract (with APCOA) has been extended until 30 November 2014 (ratified at Court of Common Council on 16 May 2013).

Implementation of Recommendations according to agreed timescales

6. At the June 2013 Committee meeting, members were provided an analysis of the extent to which priority audit recommendations are implemented according to originally agreed timescales or revised target dates were agreed. At the meeting, the Chairman and Members agreed that, whilst timescales for implementation should be realistic, deadlines should only slip in extreme circumstances. In concluding, the Chairman felt that the current level of

performance was unsatisfactory and offered continuing support to Internal Audit in enforcing a satisfactory standard. Members noted that the Chairman would email officers or call them to account at the Audit and Risk Management Committee, in the event of non-compliance;

7. The following table provides an updated analysis from data held in the MK Audit Automation system relating to the implementation dates for now closed Amber and Red priority recommendations that have been tracked through the MK Audit Automation system since it went live from November 2011.

Red and Amber Priority Recs – Implementation according to original target date	Position at Aug 2012
Early or within 1 month of original date	17%
More than 1 month but less than 3 months after original date	13%
More than 3 months but less than 6 months after original date	3%
More than 6 months but less than 12 months after original date	17%
More than 12 months after original date	50%

8. The analysis shows that looking back over the last 21 months, that 17% of higher priority recommendations are implemented early or within one month of the originally agreed date. 83% of the amber and red priority recommendations are implemented after the originally agreed date, with 67% implemented more than 6 months afterwards.
9. Further analysis has been undertaken to identify those departments where the more significant delays in implementation are occurring. This is set out in **Appendix 3**. The reasons for the extended implementation timescales for the recommendations delayed have been reviewed for the 20 amber recommendations where the delay in implementation was greater than 6 months. In three cases (15%), the delay was considered to be due to factors outside the direct control of the department e.g. where a technical solution for the issue needed to be developed by an external supplier or implementation was dependant on a third party. This factor was highlighted as a possible reason for why they may be delay in the implementation of recommendations at the last Audit and Risk management Committee; however, this analysis indicates that this is not a predominant factor. In two other cases (10%), implementation was delayed to allow action in addressing recommendations to align with wider change management initiatives. For the remainder of the delayed recommendations, resourcing and priority reasons (70%) was the predominant reason given.
10. Targeted follow-up with Chief Officers has commenced to ensure that the importance of keeping to the originally agreed timescales for the implementation of recommendations is understood and that where revised timescales have already been agreed, that those timescales are adhered to. This information will be fed into the performance appraisals of Chief Officers during 2013/14 and the

Deputy Town Clerk's in-year performance review meetings with Chief Officers. An internal audit and risk focused meeting of the Chief Officers group is scheduled for the end of November, at which the expectations of the Audit and Risk Management Committee will be further reinforced.

11. Recommendation owners are keeping internal audit updated on any delays in implementing recommendations prior to any agreed target dates being passed. A more robust approach in being adopted to challenge recommendation owners on the basis that slippage should only occur in exception circumstances, and to ensure that realistic implementation dates are set when recommendations are agreed at the end of audit reviews.
12. A further development of the MK audit automation software in enabling Departments to provide direct updates on the implementation of recommendations and for them to be provided automated e-mail reminders is to be piloted in the Department of Community Services Department in the remaining part of this financial year.

Conclusion

13. There is a very high level of acceptance of internal audit recommendations, although implementation according to the originally agreed timescales is often not achieved and requires improvement. Internal audit work focused on obtaining status update information from management of open recommendations, in addition to formal audit follow-up reviews is ensuring appropriate management attention is given to completing agreed audit actions. Further steps are being taken to reinforce standards in relation to the timely implementation of recommendations.

Appendices

- **Appendix 1 – Formal Audit Follow-up reviews**
- **Appendix 2 – Red and Amber actions status update**
- **Appendix 3 – Analysis of the timeliness of audit recommendation implementation by Department**
- **Appendix 4 – Audit Follow-up process and recommendation priority definitions**

Background Papers:

2013/14 Internal Audit Plan

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