

Committee(s):	Date(s):
Audit & Risk Management Committee	11 th December 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 17th September 2013.

Seven formal audit review follow-ups have been concluded since the September Committee with 94% of recommendations fully implemented at the time of follow up. At the end of November 2013, there are no outstanding red priority actions from reviews previously concluded and reported to this Committee. The formal follow-up of the Department of Children and Community Services: Appointeeships and Deputyships review has confirmed that all 28 recommendations have been implemented. This had previously been reported as having red limited assurance.

Cumulative performance in the implementation of audit recommendations over the last 24 months, has been monitored with 75% 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 the implementation of red and amber priority recommendations.

Management status updates on all agreed red and amber actions is provided in **Appendix 2**. The trend in implementation of amber recommendations promptly following the agreement of internal audit reports is reducing the number of open amber priority recommendations that need to be monitored.

Targeted follow-up with Chief Officers is in place 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. Since October 2013, this information has been fed into the Deputy Town Clerk's in-year performance review meetings with Chief Officers and will be included in Chief Officer's performance appraisals at year end.

A further development of the MK audit automation software is enabling Departments to provide direct updates on the implementation of recommendations and for them to be provided automated e-mail reminders. Pilots have now gone live in the Department of Community and Children Services and Open Spaces Department.

In addition to the 8 amber open actions, there are 208 open green priority actions as of November 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 September 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 formal follow-up of the Department of Children and Community Services: Appointeeships and Deputyships review has confirmed that all 28 recommendations have been implemented. This had previously been reported as only having red limited assurance.
2. Cumulative performance in the implementation of audit recommendations measured by all formal follow-up reviews over the last 24 months is reported to the Audit and Risk Management Committee. As at November 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	9	115	288	412
Recommendations Implemented	8	84	215	307
% implemented	89%	73%	75%	75%

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 last year and reported to the March 2012 Committee, was implemented subsequently. At the end of November 2013, there are no outstanding red priority actions from follow-up 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. All recommendations owners are keeping internal audit updated on any delays in implementing recommendations, with the Head of Internal Audit only agreeing to revision of implementation dates where justifiable prior to the agreed date being passed.
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 the trend in implementation of amber recommendations promptly, following the agreement of internal audit reports, is reducing the number of open amber priority recommendations that are being monitored. There are currently eight open amber priority recommendations, when at a similar point last year 20 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	8	-	3	1	2	2*	1	6	-	1
Total.	8	-	3	1	2	2	1	6	-	1

* Details of the two 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 - 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. A specification and contract for tendering was developed and assessed, however, CLPS then advised that as most Golf Professionals are directly employed a tender process is unlikely to yield a sufficient range of competitive quotations. Consultation is now underway on the legal and human resource implications of either direct employment or negotiations with the current contract holder. A new timescale for completion of this exercise is dependent on the result of these discussions, the plan is to have an agreed way forward by the end of January 2014.
- City Bridge Trust – Additional verification audit checks had been recommended by internal audit. A paper on proposed changes to how monitoring visits was agreed at the October 2013 CBT meeting. This included a section on proposed compliance visits which would include additional verification checks. Internal audit have provided assistance in scoping these additional checks which are to be introduced from December 2013.

Implementation of Recommendations according to agreed timescales

6. At previous meetings, the Chairman and Members agreed that, whilst timescales for implementation should be realistic, deadlines should only slip in extreme circumstances. 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. Targeted follow-up with Chief Officers is in place 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. Since October 2013, this information has been fed into the Deputy Town Clerk's in-year performance review meetings with Chief Officers and will be included in Chief Officer's performance appraisals at year end.
8. A more robust approach is being adopted to challenge recommendation owners on the basis that slippage should only occur in exceptional circumstances in line with Committee's expectations to ensure that realistic implementation dates are set when recommendations are agreed at the end of audit reviews.
9. A further development of the MK audit automation software is enabling Departments to provide direct updates on the implementation of recommendations and for them to be provided automated e-mail reminders. Pilots have now gone live in the Department of Community and Children Services and Open Spaces Department.
10. A further analysis of the implementation of audit recommendations according to originally agreed timescales will be undertaken at the financial year end, the results of which will be reported to this Committee and used to inform Chief Officer end of year appraisals.

Conclusion

11. There is a very high level of acceptance of internal audit recommendations, although historical implementation according to the originally agreed timescales has often not been achieved and requires improvement. Internal audit work focused on obtaining status update information from management of open recommendations is ensuring appropriate management attention is given to completing agreed audit actions. The trend in implementation of amber recommendations promptly, following the agreement of internal audit reports, is reducing the number of open amber priority recommendations that are being monitored.

Appendices

- **Appendix 1 – 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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