

Committee:	Date:
Audit & Risk Management Committee	4 th March 2014
Subject:	Public
Internal Audit Recommendations Follow-up	

Report of:	For Information
Chamberlain	

Summary

This report provides an update on the implementation of audit recommendations by management since the last report to the Audit & Risk Management Committee on 11th December 2013. The report also provides an overview of action taken by Internal Audit to promote the setting of appropriate timescales for recommendations implementation and adherence to these unless exceptional circumstances apply.

Twelve formal audit review follow-ups have been concluded since the December Committee with 89% of recommendations fully implemented at the time of follow up; an overview of these is provided at **Appendix 1**.

At the end of January 2014 there are no outstanding red priority actions from reviews previously concluded and reported to this Committee. A formal follow-up in respect of an audit in the Department of Community and Children's Services regarding Community Care, which had originally received a red limited assurance rating, identified that only two green priority recommendations are outstanding, representing a significant improvement.

Cumulative performance in the implementation of audit recommendations over the last 24 months has been monitored with 74% 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 towards prompt implementation of amber recommendations 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 continues to reiterate the importance of keeping to agreed timescales for the implementation of recommendations. This information continues to be 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.

The recommendation tracking pilots, whereby Departments are able to provide direct updates on implementation to the MK audit software, are on-going within the Department of Community and Children's Services and Open Spaces Department. Good progress has been made in closing off recommendations within the Department of Community and Children's Services in particular, with the audit liaison submitting evidence for review on a regular basis.

In addition to the 6 amber open actions which are being progressed according to agreed timescales, there are 164 open green priority actions as at the end of January 2014.

Members are asked to:

- Note the recommendations follow-up report; ands
- 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 12 formal audit review follow ups concluded since the November 2013 report to the Committee are set out in Appendix 1, along with comments where internal audit recommendations were yet to be implemented.
2. The formal follow up of the Department of Community and Children's Services: Community Care (Management of client funds, Telecare and Telephone Rental Service) review has confirmed that 13 out of 15 recommendations have been implemented or alternative mitigation accepted. It has been agreed that the outstanding green priority recommendations will be addressed by April 2014. Good progress has been made in this area which had previously received a limited red assurance audit opinion. An update will be obtained on the 2 remaining live recommendations in April, as part of the MK audit software recommendations tracking pilot, discussed below.
3. 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 the end of January 2014, 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	12	130	283	425
Recommendations Implemented	12	97	204	313
% implemented	100%	75%	72%	74%

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 determine the subsequent progress of their implementation. At the end of January 2014, there are no outstanding red priority actions from follow-up 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. An overall improvement has been noted in terms of recommendation owners keeping the Internal Audit Section updated on any delays in implementing recommendations, ahead of timescales being passed, with the Head of Internal Audit only agreeing to revision of implementation dates where justifiable on an exceptional basis.
6. 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 towards 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 six open amber priority recommendations, when at a similar point last year 19 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	6	1	2	0	2	1		5	0	1
Total.	6	1	2	0	2	1		5	0	1

* Details of the one 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 would be unlikely to yield a sufficient range of competitive quotations. Consequently a Business Plan for the Golf Course is to be developed in partnership with the Golf Clubs which currently use the course. This business case will outline options for creating a financial sustainable future for the golf course. A target date of April 2014 has been agreed by the client.

Implementation of Recommendations according to agreed timescales

7. 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.
8. Recommendation owners are 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.
9. There continues to be targeted follow-up with Chief Officers to reinforce the importance of keeping to the original agreed timescales for the implementation of recommendations and the need for adherence to any agreed revisions to timescale. This information continues to be fed into the Deputy Town Clerk's in-year performance review meetings with Chief Officers and a full year's analysis will be included in Chief Officer's performance appraisals at the financial year end, the results of which will be reported to this Committee in May.
10. The recommendations tracking pilot exercise, whereby client Departments can use the MK audit software to update the status of audit recommendations and submit evidence of implementation for evaluation by internal audit is progressing. This functionality is being trialled currently within the Department of Community and Children's Services and the Open Spaces Department for all recommendation priorities. Activity has been focused in the former owing to the historically higher number of live recommendations than in Open Spaces and good progress has been made.

Conclusion

11. 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. There remain a small number of historic amber priority recommendations where original agreed timescales have not been achieved but the general trend is towards prompt implementation of high priority recommendations following the agreement of internal audit reports.

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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