

Committee:	Date:
Audit & Risk Management Committee	13 th May 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 since the last report to the Audit & Risk Management Committee on 4th March 2014.

Two formal audit review follow-ups have been concluded since the March 2014 Committee with 100% of recommendations either implemented in full or superseded by other corporate developments; an overview of these is provided at **Appendix 1**. At the end of April 2014 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 78% 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. No red priority recommendations are outstanding with one amber priority recommendation that was not fully implemented agreed for full completion by the end of May 2014.

Management status updates on all live red and amber actions are provided in **Appendix 2**.

Updated historical analysis of the implementation of red and amber priority recommendations according to agreed timescales within 2013/14 is provided in **Appendix 3**. This analysis shows that from the 1st April 2013 to the 31st March 2014 70% of amber priority recommendations were implemented early or within one month of the originally agreed date, with 16% implemented more than 6 months afterwards. This represents a significant improvement on the position as reported to this Committee in September 2013, where analysis of priority recommendations implementation from November 2011 to August 2013 identified that only 17% of recommendations were implemented on time.

There are currently 201 open green priority actions as at the end of April 2014.

Members are asked to:

- Note the recommendations follow-up report;
- Note the improved performance in ensuring originally agreed timescales for the implementation of recommendations are achieved

Main Report

Formal Audit Follow-ups

1. Details of the two formal audit review follow ups concluded since the March 2014 report to the Committee are set out in Appendix 1. Out of 12 recommendations reviewed, 10 were implemented in full and 2 were superseded by other corporate developments making them no longer relevant.
2. Cumulative performance in the implementation of audit recommendations, measured by all formal follow-up reviews over the last 24 months, is shown in the table below.

Cumulative Performance over last 24 months (as at April 2014)

Implementation at time of audit follow-up (last 2 years)	Red	Amber	Green	Total
Recommendations Agreed	11	80	181	272
Recommendations Implemented	11	61	140	212
% implemented	100%	76%	77%	78%

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 determine the subsequent progress of their implementation. At the end of April 2014, there are no outstanding red priority actions from follow-up reviews previously concluded and reported to this Committee. There is one part of an amber priority recommendation still to be implemented relating to the informing of Housing Lessee's via the May Service Charge Notice, of where they can find Health and Safety Information relevant to their property that will be implemented by the end of May 2014.

Red and Amber Priority Recommendations Status

4. In addition to this formal audit follow-up process, status updates for any open red or amber priority recommendations are obtained from recommendation owners on a quarterly basis. The outcomes from these status checks are reported in **Appendix 2** and summarised in the table below. 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 the agreed timescales being passed. The Head of Internal Audit only agrees to revision of implementation dates on an exception basis and where it is fully justified.
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 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, compared to a similar point last year where 15 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	1	0	1	2	1	3	1	1
Total.	6	1	1	0	1	2	1	3	1	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 was delayed initially 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. We were advised that a Business Plan for the Golf Course would be developed by February 2014 in partnership with the Golf Clubs which currently use the course, outlining options for creating a financial sustainable future for the golf course. An update is awaited from the Open Spaces Director.
 - DCCS Affordable Housing: recommendation to update the 30 year Housing Business Plan to reflect the additional housing units being developed by the City and those proposed, including the on-going revenue costs and expected income within the financial strategy and planning element of the business plan. An extension to the implementation timescale to 30th May 2014 was agreed with Internal Audit in recognition of the need for a Housing Strategy to precede the Asset Management Strategy.
6. As at the end of April there are 201 live green priority recommendations. Formal follow-up exercises will gauge the progress of implementation for the vast majority of these recommendations, though client departments are being encouraged to forward evidence of implementation as and when it occurs.

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. At the September 2013 Committee meeting, members were provided an analysis (from MK audit software launch in November 2011 up to the end of August 2013) of the extent to which red and amber priority recommendations were implemented according to originally agreed timescales or revised target dates were agreed. The following table provides an updated

analysis from data held in the system relating to Red and Amber priority recommendations implemented between 01/04/13 and 31/03/14.

Red and Amber Priority Recs – Implementation according to original target date

Early or within 1 month of original date	70%
More than 1 month but less than 3 months after original date	6%
More than 3 months but less than 6 months after original date	8%
More than 6 months but less than 12 months after original date	8%
More than 12 months after original date	8%

8. The analysis shows that for the 12 months to 31/03/14 70% of higher priority recommendations were implemented early or within one month of the originally agreed date. 30% of the amber and red priority recommendations were implemented after the originally agreed date, with 16% implemented more than 6 months afterwards. This represents a significant improvement from the cumulative position at the end of August 2013, where only 17% of such recommendations were implemented on time or early, 83% were implemented after the due date of which 67% were implemented more than 6 months later. The detailed information is set out in **Appendix 3**.
9. Targeted follow-up with Chief Officers continues in order 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. The full year's recommendation implementation analysis has now been provided for inclusion within Chief Officer's end of year performance appraisals for the 2013/14 financial year.

Conclusion

10. 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 – Red and Amber priority recommendation implementation analysis**

Paul Nagle

Head of Audit & Risk Management

T: 020 7332 1277

E: Paul.Nagle@cityoflondon.gov.uk