

**INTERNAL AUDIT 2012/13 ANNUAL REPORT**

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**Purpose:**

To provide a summary of the work completed and assurances to be derived from work of the Internal Audit Service.

**Background:**

The Council maintains an Internal Audit Service to meet its legal requirements under the Accounts and Audit Regulations and also the Local Government Act requirements placed upon the Corporate Director Resources (also known as the Section 151 Officer). The report and opinion also meets the Internal Audit Best Practice requirements as defined by the relevant professional body (CIPFA).

The Head of Internal Audit (HIA) is required to give a formal annual opinion regarding the Council's Systems of Control, based upon the work undertaken throughout the year. The HIA is also required to highlight at any time whether any issue prevents the Internal Audit service from undertaking the necessary work upon which to base such opinion.

**1 Recommendation(s)**

1.1 That the report be noted.

**2 Issues**

2.1 The Internal Audit Service produces an Annual Report to support the Annual Governance Statement (AGS) of the Council and to provide the Audit Committee with a summary of the work of the service for the year. The draft AGS is submitted to this agenda for the Audit Committee.

2.2 The HIA opinion is detailed in the attached Annual Audit Report. In summary it is the HIA's opinion that Milton Keynes Council's internal control environment and systems of internal control provide satisfactory assurance over the exercise of its functions.

2.3 The assurance level has improved year on year since the 2008/09 opinion. However although it is still judged as satisfactory the level of assurance is considered to be slightly lower than in 2011/12. This is reflected in the decrease in % of actions implemented and slightly higher % of weak/limited audit opinions provided.

2.4 Annexed to this Committee report is the detailed periodic report setting out the work of the Internal Audit Service. The Annual Report (section 4) highlights the Key Issues arising during 2012/13 which are summarised below.

- Risk Management – use of GRACE is not consistent across the Authority.
- Contract Monitoring – over reliance on contractor data for monitoring purposes is a common finding.
- Project Management – although there are some excellent areas, the quality of project management and adherence to the MK approach is still inconsistent throughout the Council
- Sundry Debtors – recovery of sundry debts is inconsistent across service areas with confusion over responsibilities for the process
- Taxi Licensing – a high proportion of taxis failed the safety checks. Income and cash controls were weak.
- Lack of segregation of duties – in many schools one employee is able to undertake all aspects of the procurement cycle.

2.5 The audit measures have generally improved year on year over the past 5 years, however there has been a small decline in some measures since last year. “Percentage of actions implemented” and “Weak and limited audit reports improved to satisfactory at follow up” are interrelated measures which showed a decline since last year. Unfortunately these measures are not totally within the control of Internal Audit.

2.6 There has been an improvement in plan completion with 93% of the current plan completed to at least draft stage with the remaining 7% in progress at the year end. There has also been a significant improvement in the productivity ratio in comparison to the previous year, particularly as there is no dedicated administrative support for the Audit Service.

2.7 The annual report also gives detail on the investigative work that has been undertaken.

### 3 Implications

#### 3.1 Policy

Report covers areas relating to the Whistleblowing Policy and Anti Fraud and Corruption Policy

#### 3.2 Resources and Risk

As contained within the report.

Y
Y

Capital  
IT

Y
Y

Revenue  
Medium  
Term Plan

N
Y

Accommodation  
Asset Management

3.3 Legal -

This report provides one of the sources for the Council Annual Governance Statement (AGS) in order to meet the Council's responsibilities under the Accounts and Audit Regulations.

3.4 Other Implications

None

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N												
Y												
N												
N												
N												
Y												

Background papers: None