

AUDIT COMMITTEE

TUESDAY 5 NOVEMBER 2013
7.00pm

COUNCIL CHAMBER
CIVIC OFFICES
CENTRAL MILTON KEYNES

AGENDA

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Membership: Councillor Brackenbury (Chair)
Councillors S Burke, Jury, Long, McDonald and Marland

Independent Members: Mr I Farookhi and Mr W Preston

If you have any enquires about this agenda please contact Dino Imbimbo, Committee Manager, Tel: 01908 252458 or E-mail: Dino.Imbimbo@milton-keynes.gov.uk

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Agenda

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Meeting Attended: AUDIT COMMITTEE

Date of Meeting: 5 NOVEMBER 2013

Comments:.....
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Contact details:.....

AUDIT COMMITTEE - TERMS OF REFERENCE

1. Constitution

- 1.1 The Committee will be a fully constituted committee and act independently of the Authority's Executive and Scrutiny functions
- 1.2 It will meet at least 4 times a year
- 1.3 The Committee will maintain the technical capability to discharge the Audit Committee responsibilities of the Council
- 1.4 The Committee will have a policy on matters that will be considered in public and those considered in private
- 1.5 The business of the Committee will be conducted apolitically

2. Statement of Purpose

- 2.1 To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakness of the control environment and to oversee the financial reporting process.
- 2.2 To review matter relating to internal audit, external audit, risk management, governance, assurance statements, anti-fraud and anti corruption arrangements as well as any other function to meet the Council's Audit Committee requirements.
- 2.3 To enhance and promote the profile, status and authority of the internal audit function and to demonstrate its independence.
- 2.4 To contribute towards making the authority, its committees and departments more responsive to the audit function.
- 2.5 To review compliance with the relevant standards, codes of practice and corporate governance policies.
- 2.6 To act within the Council's Constitution.

3. Core Functions

- 3.1 Audit Activity
 - 3.1.1 To approve the internal audit strategy and monitor it's progress.
 - 3.1.2 To approve but not direct Internal Audit's scheduled plan of work including monitoring performance against those plans.
 - 3.1.3 To consider the Annual Report and opinion of the Head of Audit and a summary of internal audit activity and the level of assurance it can give over the Council's corporate governance arrangements.
 - 3.1.4 To consider summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

- 3.1.5 To consider reports dealing with the management and performance of the Internal Audit function.
- 3.1.6 To consider reports from Internal Audit on agreed recommendations not implemented within reasonable timescales.
- 3.1.7 To consider the External Auditor's Annual Inspection Letter, relevant reports and the reports of those charged with governance.
- 3.1.8 To consider specific reports as agreed with the external auditor to ensure agreed action is taken within reasonable timescales.
- 3.1.9 To comment on the scope and depth of the external audit work and to ensure it gives value for money.
- 3.1.10 To liaise with the Audit Commission over the appointment of the Council's external auditor.
- 3.1.11 To consider the reports of inspection agencies relevant to the Council.
- 3.1.12 To suggest work for Internal and External Audit.
- 3.1.13 To undertake an annual review of the effectiveness of the system of Internal Audit.

3.2 Regulatory Framework

- 3.2.1 To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations, codes of conduct etc.
- 3.2.2 To review any issue referred to it by the Chief Executive or Corporate Director or any Committee of the Council.
- 3.2.3 To monitor the effective development and operation of risk management and corporate governance throughout the Council.
- 3.2.4 To monitor council policies on "raising concerns at work" and anti-fraud and anti-corruption policies including the Council's complaints process.
- 3.2.5 To oversee the production of the Council's Statement of Internal Control/Governance Statement and recommend its adoption.
- 3.2.6 To consider the arrangements for corporate governance and to agree necessary actions to ensure compliance with best practice.
- 3.2.7 To consider the Council's compliance with its own and published standards and controls.

3.3 Accounts

3.3.1 To review the annual statement of accounts.

3.3.2 Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

3.3.3 To consider the external auditor's report to those charged with the governance issues arising from the audit of the accounts.

3.4 Risk Management

3.4.1 To consider the effectiveness of the Council's risk management arrangements.

3.4.2 To seek assurances that action is being taken on risk related issues.

3.4.3 To be satisfied that the Council's assurance statements, including the Statement of Internal Control, properly reflect the risk environment and any actions required to improve it.

AGENDA

1. Chairman's Welcome and Introductions

2. Apologies for Absence

3. Minutes of Previous Meetings

To approve, and the Chair to sign as a correct record, the Minutes of the meeting of the Audit Committee held on 24 September 2013 (Item 3) (**Pages 8 to 16**)

4. Disclosure of Interests

Members to declare any disclosable pecuniary interests, or personal interests (including other pecuniary interests), they may have in the business to be transacted, and officers to disclose any interests they may have in any contract to be considered.

5. Public Involvement

(a) Deputations and Petitions

No deputations have been received for this meeting and any petitions received will be reported at the meeting.

(b) Questions from Members of the Public

To receive questions from members of the public

6. Referral from Housing and Communities Select Committee

To receive a referral from the meeting of the Housing and Communities Select Committee held on 15 October 2013 in the terms;

“That Audit Committee be requested to consider carrying out an audit of void Council housing properties which will include the full implications of the cost of voids to the Council, both in terms of financial cost and the impact on Council performance and that any audit draws on both internal officer views and practice elsewhere, including other registered social landlords and, if appropriate, the private sector.”

7. Internal Audit Progress Plan

To consider Item 7 (**Pages 17 to 23**)

8. Annual Risk Management Report

To consider Item 8 (**Pages 24 to 46**)

9. MKSP Annual Governance Statement 2012/13 – Action Plan Update

To consider Item 9 (**Pages 47 to 50**)

Cont.

10. Audit Committee Members and Internal Audit Interaction

- **To include an early draft of the Internal Audit Charter and Strategy for comment**

To consider Item 10 (**Pages 51 to 75**)

11. External Audit Report

To consider Item 11 (**Pages 76 to 85**)

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Minutes of the meeting of the AUDIT COMMITTEE held on TUESDAY 24 SEPTEMBER 2013 at 7.00 pm

Present: Councillor Brackenbury (Chair)
Councillors S Burke, Jury, Long, and Marland

Independent Members: I Farookhi and W Preston

Officers: T Hannam (Corporate Director Resources), M Hodgson (Partnership Director [MKSP LLP]), M Shaw (Assistant Director [HR Strategy]), D Wilkinson (Assistant Director [Audit and Risk Management]), L Baker (Head of Internal Audit), S Gerrard (Interim Head of Legal Services), and T Milner (Committee Manager)

Apology: Councillor McDonald

Also Present: Councillor Bald, C Ryan (Ernst and Young) and M West (Ernst and Young)

AC13 MINUTES

RESOLVED –

That the Minutes of the meeting of the Audit Committee held on 25 June 2013 be approved and signed by the Chair as a correct record.

AC14 STATEMENT OF ACCOUNTS 2012/13

The Committee considered the Annual Statement of Accounts for 2012/13.

The Committee heard from the external auditors Ernst and Young that this was the first time Milton Keynes Council had to prepared its Accounts following the incorporation of Milton Keynes Service Partnership and Milton Keynes Development Partnership.

It was reported that a small number of significant audit risks were identified during the planning phase of the Audit, these being, the preparation of group accounts, detection of fraud and 'value for money'. Ernst and Young had since gained audit assurances from the Council in respect of these matters.

The Committee heard that Ernst and Young was confident that all statutory deadlines for the external audit would be met. Ernst and Young had tested the Council's internal controls, however, only to the extent necessary to complete the audit, and therefore was unable to express an opinion as to the overall effectiveness of the Council's internal controls.

It was noted that the Annual Governance Statement had been reviewed by Ernst and Young who had confirmed that the Council complied with the requirements of the CIPFA/SOLACE 'Delivering Good Governance in Local Government Framework', and that it was consistent with the audit of the financial statements.

Members expressed their concern that the Ernst and Young report was still in draft form and requested that an updated version be provided once the report was finalised. Members also expressed a desire to see the Statement of Accounts 2013/14 in a more timely manner.

In answer to a question officers undertook to investigate the need for a budget sub-heading in the Housing Revenue Account of televisions.

Members also commented that under Notes to the Accounts 'Statement of Accounts', there was a sub heading of 'exit packages' that made reference to 'Officers Remuneration'. The Partnership Director and/or Director Resources were asked to investigate and report on the relevance of this.

Members expressed concern about the increased level and scale of reserves that the Council appeared to have, and requested that a review be undertaken.

Ernst and Young requested that their thanks be expressed to the staff of the Service Partnership for the manner in which the accounts had been presented. This was endorsed by the Committee.

RESOLVED -

1. That the Statement of Accounts 2012/13 be approved, subject to the Corporate Director Resources being delegated authority, in agreement with the Chair of the Committee, unless, if in the Chair's judgment, any changes are so significant that the Committee should be reconvened, to make any further changes arising from additional comments from the Council's External Auditors.
2. That the Chair of the Audit Committee and the Corporate Director of Resources be authorised to sign both the audited Statement of Accounts and the Letter of Representation on behalf of the Council, subject to the deletion of paragraph 5.1 of the previously published Letter of Representation.
3. That further information be provided by the Director of Resources on the figures relating to exit packages, the discrepancies in Adult Social Care outturn figures and digital TV's.

4. That it be recorded that Ernst & Young LLP expressed thanks to the MKSP Finance Team, in particular to A Hodgson and V Armiger.
5. That the Committee's thanks be extended to the MKSP Finance Team for their hard work and commitment in working with Ernst & Young LLP.
6. That the Committee were concerned the Audit Opinion and Annual Report from Ernst & Young LLP were still in draft status, and had a clear expectation that these should have been ready for the Committee meeting.
7. That a referral be made to the Budget Review Group 'To conduct a full review of the increasing level and scale of reserves of the service groups to determine whether they are appropriate'.

AC15

ANNUAL GOVERNANCE STATEMENT 2012/13

The Committee considered the Annual Governance Statement for 2012/13 that had been initially submitted to and approved by the Audit Committee in June 2013.

Ernst and Young confirmed that the Annual Governance Statement complied with the requirements of CIPFA/SOLACE 'Delivering Good Governance in Local Government Framework'.

RESOLVED –

That the Annual Governance Statement for 2012/13 and accompanying action plan be approved.

AC16

EXTERNAL AUDIT ITEMS – ERNST & YOUNG LLP

The Committee heard from C Ryan, Ernst and Young that audit training for the Committee could be provided by Ernst and Young.

RESOLVED –

That Ernst and Young be requested to provide a clear specification and costs for a training session.

AC17

REFERRAL FROM COUNCIL – 10 JULY 2013: IMPROVING HIGHWAYS REPAIRS IN MILTON KEYNES

The Committee considered the following referral from the meeting of Council held on 10 July 2013 (Minute CL45 refers):

"That the Audit Committee be requested to undertake a comprehensive value for money audit on all road repair spending since 2011 to establish if funds have been spent effectively".

The Committee welcomed that, where appropriate, future contracts, including the new Highways Contract, would have Key Performance Indicators written into them and was of the view that value for money assessments should also be part of new contracts as appropriate.

Members noted that the Council had invested in a 'Road Planer' for road repairs, at considerable expense to the Council, but the equipment was no longer being used. The Assistant Director (Public Realm Service) undertook to provide an explanation for this.

The Committee heard that during a recent internal audit into Highways Inspections it had become evident that there were issues in respect of the data recording systems in use and anomalies and errors in the historic data which meant that Internal Audit was only able to provide a subjective opinion at best on the referred work.

The Assistant Director (Public Realm) indicated that he was aware of the issues and his team was in the process of verifying the data. It was reported that Internal Audit proposed a follow-up audit at the end of October 2013.

RESOLVED –

1. That the referral from Council from 10 July 2013 be noted.
2. That the Committee expressed their disappointment with the historic and current issues with highways data that meant Internal Audit were unable to carry out an effective value for money study.
3. That the Assistant Director (Public Realm) and the Cabinet Member for Highways and Transport be requested to attend a future meeting of this Committee and provide an update on:
 - (a) The implications of and reasons for the Road Planer no longer being used;
 - (b) The historic logging of road defects;
 - (c) The data quality issues; and
 - (d) The inability to identify repeat works instances.
4. That the Assistant Director (Public Realm) be requested to present an action plan to address the issues identified in resolution 3.
5. That the Cabinet be advised of the Committee's strong concerns and expectations regarding the quality of highways data, and asked to ensure that processes and structures were in place to enable the Council to determine value for money in the new highways contract.
6. That any findings of the follow-up audit into Highways Inspections be reported back to the meeting of this Committee on 14 January 2014.

AC18

PROGRESS UPDATE ON 2013/14 ANNUAL GOVERNANCE STATEMENT

The Committee considered the Progress Update on the 2013/14 Annual Governance Statement from the Interim Head of Legal Services.

The Committee noted the following actions for Quarters 1 and 2 (April to September 2013) which could be closed:

1. Action 8 – Wolverton Station review, project Health Checks to be considered regarding depth and scope.
2. Action 9 – Risks with the Tariff regularly reviewed and actively managed, with a financial position being incorporated into the Budget Monitoring report and risks and issues highlighted through the existing reporting framework.
3. Action 19 – The Contract Procedure Rules to be finalised.

The Committee also noted the following key issues for Quarters 1 and 2 (April to September 2013) which remained to be completed:

1. Action 4 – Review LLP services to ensure that the current MKSP structure is the best possible structure going forward.
2. Action 7 – To review the weaknesses in procurement and project planning processes highlighted in the Wolverton Station Project Overspend audit report.
3. Action 14 – Member Personal Development Plans.
4. Action 26 – To address key issues arising from the Tax Licensing audit, as raised by the Head of Internal Audit, in respect of areas identified as receiving ‘weak assurance’.

The Committee considered the proposed revised outcomes against action 7 (Wolverton Station Project Overspend) and an extension to the timeframe to allow Internal Audit to complete its report.

The Committee noted that a number of actions required their time lines be extended as follows:

1. Action 21 (Appointment of Monitoring Officer) - The post of Monitoring Officer was currently held by the Interim Head of Legal Services and noted that the Council was under a legal duty to appoint to the post of Monitoring Officer. The Committee heard that the recruitment process for the substantive post of Assistant Director (Law and Democratic Services), who would be appointed as the Council’s Monitoring Officer would be underway shortly.
2. Actions 1 and 5 (Limited Liability Partnerships) - Ongoing work remained in relation to these actions in respect of the two Limited Liability Partnerships.

The Committee commented that it considered that scrutiny of Limited Liability Partnerships was important and requested reassurance that both Partnerships were effectively scrutinised.

RESOLVED –

1. That the Milton Keynes Council Annual Governance Statement Action Plan Progress Report be noted.
2. That the closing of actions 8, 9 and 19 of the Action Plan be agreed.

3. That the actions reported as key issues for Quarters 1 and 2 be noted.
4. That, in respect to action 14, the item be re-opened for 2014/15 with Member Development Group Champions and HR involvement.
5. That, in respect of action 4, the time limit be extended to October 2013.
6. That the action 7 outcome be altered to read, “the Audit Committee to receive satisfactory assurance that the action plan had been completed through an Internal Audit report to the Committee detailing the actions completed”.
7. That the time limit for action 7 be extended until January 2014 to allow for the completion of the Audit report.
8. That, in respect of action 21, it was agreed that it remain open and that Members receive further updates during the year.
9. That, in respect of action 26, the time limit be extended until March 2014, and Members were reassured by the Chair (Councillor S Burke) of the Licensing Committee that the Licensing Committee was looking at the data retention issues.
10. That the Partnership Director be requested to present a paper to either the 5 November 2013 or 14 January 2014 Audit Committee meeting on the LLP (MKSP) in relation to actions 1 and 5.

AC19

PERFORMANCE APPRAISALS

The Committee considered a report in respect of Performance Appraisals from the Assistant Director (HR Strategy).

The Committee heard that progress had been made towards achieving the performance appraisal completion targets as set out in the Annual Governance Action Plan 2013/14. The Council had exceeded the target of 90% completion rate having achieved a 94% completion. It was hoped that the remaining 6% could be achieved through senior manager intervention and the provision of additional training to senior managers and more linkage to strategic objectives.

The Committee also heard that the robust use of ‘quality sampling’, started during 2011, and the data this collected during 2012 informed HR in respect of additional training needs. It was likewise recognised that further improvements could be made by ensuring that the quality of targets set by staff and managers were smarter and clearer. Likewise a review of dates for completion and the identification of job related, and training needs together with training provided to managers would bring about a greater completion rate.

Members wanted to see a greater correlation between the content of appraisals and individual and departmental Key Performance Indicators.

Members reinforced their desire to see a linkage between performance appraisals and Internal Audit outcomes as part of the appraisal process.

The Committee heard from the Director Milton Keynes Service Partnership that the human resources function was to become the responsibility of the Partnership with effect from January 2014 and the opportunity would be taken to review appraisal content and targets.

Members welcomed the report and recognised there was a clear desire to monitor the quality of appraisals and asked that HR provide an update on the quality sampling testing to a future meeting of the Audit Committee.

RESOLVED –

1. That the progress made towards achievement of the performance appraisal completion target in the Annual Governance Action Plan 2013/14, be noted.
2. That the arrangements for ensuring that internal audit outcomes were linked with performance appraisal, including the actual and proposed responsibilities of Human Resources, Internal Audit and line managers, be noted.
3. That a review of the sampling process be conducted in 3 months time to determine whether the process was working and a report be brought back to the Audit Committee.

AC20

LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW 2012/13

The Committee considered a report in respect of the Local Government Ombudsman's Annual Review 2012/13.

The Committee heard from the Interim Head of Legal Services that there had been a finding of Maladministration that related to a complaint about the Children and Families Service Group made in February 2011 to the Local Government Ombudsman. It was reported that the action taken by the Council was welcomed by the Ombudsman, as noted in a letter to the Council dated 8 July 2013. The letter also formally recorded that the Ombudsman was satisfied with the Council's response in accordance with Section 31(2) of the Local Government Act 1974.

RESOLVED –

That the position regarding the Ombudsman's Annual Review 2012/13 be noted.

WOLVERTON STATION OVERSPEND

Members were reminded that, at the Audit Committee on 10 April 2013, a resolution had been passed requesting that Internal Audit write to three ex-employees of the Council, who had previously worked on the Wolverton Station project, inviting them to respond to questions in respect of the management of the project (Minute AC52 2012/13 refers).

The Committee heard that the Head of Internal Audit had received responses from two of the three ex-employees and that the content of the letters would not have changed the findings of the Internal Audit report into the Wolverton Station Project Overspend.

Members noted that the management action plan that had been drawn up following the Internal Audit investigation did not include any reference to what could have been improved to capture data and performance management information during the lifetime of the project. It was reported that Internal Audit would provide a follow-up report to the meeting of the Audit Committee on 14 January 2014 detailing the progress being made in implementing the actions identified within the action plan. However, this would not include any reference to the capture of data or performance management arrangements as this had not formed part of the resolution passed at the meeting of the Audit Committee meeting 10 April 2013 (Minute AC52 2012/13 refers).

The Committee asked that Internal Audit include in the report any identified weaknesses of processes that were identified through the implementation of the action plan, together with any suggestions of how they might be mitigated.

The Committee further asked that Internal Audit review their procedures and policies to establish a protocol for seeking information from ex-employees, or former Members of the Council in the event of an Internal Audit investigation.

RESOLVED –

1. That the report be noted.
2. That, having given consideration to the responses received from the former Project Manager and former Assistant Director (Highways and Transport), no additional work be commissioned.
3. That Committee Members be circulated with a copy of the updated action plan.
4. That, the request made at the Audit Committee on 10 April 2013, for Internal Audit to conduct a follow-up audit and to report the outcomes back to the meeting of the Audit Committee on 14 January 2014, be confirmed.

AC22**INTERNAL AUDIT PROGRESS UPDATE**

The Committee considered a report in respect of the Internal Audit Progress Update for 2013/14.

The Committee heard from the Head of Internal Audit that a number of significant issues had been raised, including those that were reported as weak or limited reports. In particular, it was felt that the Troubled Families Grant audit and the Car Parks audit lacked information.

Members expressed concern that there was a lack of clarity in identifying the criteria that determined the classification of a 'Troubled Family'. The Head of Internal Audit undertook to provide a more detailed briefing note to aid Members in respect of the audit.

In respect of Car Parks, Members heard that due to a lack of independent verification of contractor data on Car Parks and Pay and Display, it was not possible to confirm the levels of income due to the Council. The Head of Internal Audit informed the Committee that the only verification available was that undertaken by Internal Audit which had not found any discrepancies.

Members heard that the Corporate Affairs Select Committee would be examining contract management and that the over reliance on contractor data would form part of the discussion.

As part of the ongoing improvements to the function of Internal Audit, the Committee heard that at the Committee's meeting in November 2013 there would be an opportunity for the Committee to consider how it worked with Internal Audit.

RESOLVED –

1. That the report be noted.
2. That the following be circulated to Members of the Committee:
 - (a) A briefing note on Troubled Families Grant Audit; and,
 - (b) The recent Car Parks audit report.

AC23**DATE OF NEXT MEETING**

It was noted that the next meeting of the Audit Committee would be held on 5 November 2013 at 7.00pm.

THE CHAIR CLOSED THE MEETING AT 10.33 PM

INTERNAL AUDIT PROGRESS UPDATE

Contact Officer: Lynda Baker Head of Internal Audit Tel: (01908) 252227

1. Purpose

- 1.1 To provide the Committee an update of progress against the Annual Audit Plan 2013/14, performance and significant issues raised.

2. Recommendations

- 2.1 That the Committee note, or comment, on the report and agree revisions to the plan.

3. Issues

- 3.1 The Internal Audit Service transferred to MKSP on 1st September 2013 and is now being delivered through the Partnership. As indicated in the previous update a review is in progress of the Audit Charter, Strategy, Customer Charter & Audit Handbook. The Charter & Strategy are being provided for comment at this meeting.

- 3.2 Performance – the performance measures below are those that have been agreed and are included within the Internal Audit Service Plan.

- 3.2.1 **Audit Plan Completion** – As at 19th October 2013 41 audits from the 2013/14 plan have been completed to draft or final stage (28% of the plan). An additional 20 audits carried forward and 9 pieces of unplanned work (including Investigations) have also been completed (totalling 70 audits completed between since 1st April). 26 audits are currently in progress and 77 (53% of plan) have not yet been started. A mid year review of the remaining plan has been undertaken which has shown some work to no longer be required due to ongoing changes around the Council and we propose to cancel some audits due to insufficient Internal Audit resource. See Annexes A, B and D.

- 3.2.2 **Agreed Actions implemented** – 83% of agreed actions have been implemented. 87% were implemented for general audits and 81% for schools. This is essentially unchanged since the last update. See Annex C

3.3 Significant Issues (including weak and limited reports since last update.)

3.3.1 **Personalised Education Centres (North, South & Central) & The Bridge (Alternative Education)** - Due to weak financial control systems and the lack of robust processes Internal Audit are unable to give assurance that the finances held by the lead school are accurately recorded and all accounted for.

There are no clear Governance arrangements in place. The PEC's have now been converted to Academy status and are no longer within the control of the Local Authority.

3.3.2 **Troubled Families Grant** – This was highlighted at the previous audit committee. Further work has now been undertaken:-

The verification of the proposed results-based claim in July highlighted data issues and a lack of supporting evidence. Internal Audit has worked closely with the Troubled Families team and in October we successfully verified a claim. Internal Audit has been informed that CYPS are currently recruiting a new Programme Manager and a data analyst has already been appointed. A new contractor will commence work with the families in January and has already started preliminary work with MKC. Internal Audit do have concerns over the quality of data provided to us to support the claims and we will continue working with the service to improve.

3.4 Staffing

3.4.1 The future recruitment strategy for Internal Audit is under consideration. and no decisions have yet been made.

4 Implications

4.1 Policy

The Audit Plan is aligned to the Internal Audit Strategy and individual audits provide assurance of compliance with a wide range of Council policies.

4.2 Resources and Risk

There are no direct resource implications.

The LIKLIHOOD of the Plan not being completed to an extent that would impinge on the Annual Audit Opinion is currently LOW with a MEDIUM impact.

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x											
x											
x											
x											
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	IT		Medium Term Plan		Asset Management						

4.3.1

4.3.2 Legal

This report provides one of the sources for the Council's Annual Governance Statement in order to meet the Council's responsibilities under the Accounts and Audit Regulations. The Accounts and Audit Regulations require every local authority to maintain an adequate and effective audit service.

4.4 Other Implications

<input checked="" type="checkbox"/>	Equalities Diversity	/	<input checked="" type="checkbox"/>	Sustainability	<input checked="" type="checkbox"/>	Human Rights
<input checked="" type="checkbox"/>	E-Government		<input checked="" type="checkbox"/>	Stakeholders	<input checked="" type="checkbox"/>	Crime and Disorder

Background Papers:

- Annex A - completed Audits
- Annex B - audits in progress, not started
- Annex C - follow ups completed
- Annex D – Plan Amendments

Audits completed between 01-04-13 and 19-10-13

General Audit	Report Stage	Audit Opinion
Contracts - Final Accounts	Final	Good
Configuration Management	Final	Good
Democratic Services - Ward Based Grants	Final	Good
New Homes Bonus	Final	Good
Local Authority Designated Officer	Final	Good
Contact Support Service	Final	Good
Emergency Social Work Team (Children's Services)	Final	Good
Family Assessment & Tier 1 support team	Final	Good
Assessment and Support	Final	Good
Mayor's Charity Financial audit	Final	Good
Community Alarm Scheme	Final	Good
Emergency Planning	Final	Good
Carbon Reduction Commitment Energy Efficiency Scheme	Final	Good
Contract monitoring	Final	Satisfactory
Uninvoiced Income (Income & Cash Management)	Final	Satisfactory
Patch Management	Final	Satisfactory
Active Directory Healthcheck	Final	Satisfactory
Premises Inspections	Final	Satisfactory
OTP (Benefits Realisation)	Final	Satisfactory
Project Spot check	Final	Satisfactory
Leasehold Management & Shared Ownership	Final	Satisfactory
Corporate Governance	Final	Satisfactory
In House Home Care	Final	Satisfactory
Economic Development	Final	Satisfactory
Highways Adoptions	Final	Satisfactory
Passenger Transport	Final	Satisfactory
XXRefuse Collection & Street Cleansing	Final	Satisfactory
Waste Disposal Sites & Recycling	Final	Satisfactory
Bank Reconciliation	Final	Satisfactory
Pebbles - Children's Centre	Final	Satisfactory
Adoption Service	Final	Satisfactory
Low Carbon Grant Certification	Final	Satisfactory
Network Security	Final	Limited Assurance
Car Parks - pay and display	Final	Limited Assurance
Emberton Park	Final	Limited Assurance
Central PEC (Personalised Education Centre)	Final	Weak
North PEC (Personalised Education Centre)	Final	Weak
South PEC (Personalised Education Centre)	Final	Weak
The Bridge (Alternative Education)	Final	Weak
Troubled Families grant	Final	Weak
Highway Inspections	Draft	
Fostering Services	Draft	
School Audits		
Wood End First School	Final	Good
St Mary's Wavendon CE Primary School	Final	Good
Stoke Goldington C of E First School	Final	Good
North Crawley CE School	Final	Good
Monkston Primary School	Final	Good
Heelands School	Final	Good
Drayton Park School	Final	Good
Bishop Parker Catholic School	Final	Good
Barleyhurst Park Primary School (Formerly Wellsmeads)	Final	Satisfactory
Romans Field School	Final	Satisfactory
Merebrook Infant School	Final	Satisfactory
Jubilee Wood (Formerly Penwith +Meadfurlong)	Final	Satisfactory
Knowles Primary School	Final	Satisfactory
Great Linford Primary School	Final	Satisfactory
Glastonbury Thorn School	Final	Satisfactory
Caroline Haslett Primary School	Final	Satisfactory
Abbeys Primary School	Final	Satisfactory
The Willows School and Early Years Centre	Final	Limited Assurance
Falconhurst School	Final	Limited Assurance
Chestnuts Primary School	Final	Weak

Audits In Progress as at 19-10-13

Partnerships	Council Tax
Employee & Manager Self Service (ESS-MSS)	Payroll - Salaries & Wages
Purchasing Cards	Summerfield School
Highways and Transportation Project	Howe Park School
Broadband Project	Regulatory Investigations
Financial Modelling- Budget Planning	Parks & Open Spaces, Play, District Parks
Corporate Anti Fraud	Children with Disabilities Team
Corporate Governance - Pecuniary Interest Declarations	Sheltered Schemes
Recruitment	Leaving Care
Risk Management	Commissioned Children's Centres (Rowans and Art Room)
Office Cleaning	Strategic Management of Children's Centres
Petty Cash	Education Psychology
National Non Domestic Rates (NNDR)	School Planning
	MK Primary Pupil Referral Unit

Audits Not Started as at 19-10-13

Public Health Contracts and Contracting	Open Spaces Project
Contract Audits	Community properties
Carers - Short breaks	Bridge Programme
Conservation and Archaeology team	CMK Sports Facility Project
Accounts Receivable (Sundry Debtors)	Saplings Children's Centre
Accounts Payable (Creditors)	Woodlands - Children's Centre
Independent Reviewing Officers	Community Asset transfer programme
Uninvoiced Income	Hummingbird - Children's Centre
Referral & Assessment team	Bridges - Children's Centre
MKDP Corporate Governance review	Cabinet Procurement Committee
Housing Rents and other HRA income	Children with Disabilities team
IT - Physical Environment	Adult Social Care Project
	Overarching review of Legal / Lexcel Accreditation compliance review
Responsive Repairs	Housing Options including homelessness
IT Training	Domiciliary care (external)
Emergency Duty Team - Out of Hours service	
Electronic Document Records Management System (EDRMS) Project	MKSP Corporate Governance review
Planned Major Works and Contracts	Parking and Parking Contract
Oracle Databases	Budgetary Control
Personal Payments (Direct Payments)	Treasury Management
Additional Highways Maintenance Grant	General Ledger
Transport Grant Certification	Refuse Collection and Street Cleansing
Houses in Multiple Occupation (HIMOs)	Planning Obligations
Data Protection / Information Governance Restructure	Benefits
Neighbourhood Engagement	Corporate Health & Safety and Public Health
Youth Offending team	Wyvern School
Westminster Drive	Fleet (incl workshop, fuel and stores)
IT - Bring your own device	Water Hall Primary School
Music Service	Waste Disposal Sites and Recycling
Local Welfare Provision (Crisis Payments-Support)	Loughton Manor First School
Golf Courses	Development Management
Local Welfare Reform Act Project	Bridges (follow up)
Benefits realisation	Long Meadow School
Projects - Lessons Learned	Holne Chase Primary School
Project Spotchecks	Haversham Village School
Core Strategy - Project	Integrated Passenger Transport
Regeneration Strategy Project	Brookward School
Public Health Transition Project (part of OTP)	Urban Design and Landscape Architects
Early years Quality Improvement	Street Lighting (Energy)
	Highways Services (Permit scheme)

Follow ups completed between 01-04-13 and 19-10-13

Audit Name	Total Actions Due	Implemented	% Implemented	Final Opinion	FU Opinion	Unimplemented Actions			
						Essential	Important	Standard	Total
Planned Major Works & Contracts	5	3	60%	Good	Good	0	0	2	2
Personal Budgets - Direct Payments Cash Options	4	4	100%	Good	Good	0	0	0	0
Residential Nursing Care - Procurement and Contract Monitoring	4	4	100%	Good	Good	0	0	0	0
Libraries	14	14	100%	Good	Good	0	0	0	0
Sports Development	1	1	100%	Good	Good	0	0	0	0
Woughton on the Green	3	3	100%	Good	Good	0	0	0	0
Leisure and Community Facilities	1	1	100%	Good	Good	0	0	0	0
Parish Grants	2	2	100%	Good	Good	0	0	0	0
The Coroner's Office	2	2	100%	Good	Good	0	0	0	0
VAT	1	1	100%	Good	Good	0	0	0	0
CCTV	8	7	88%	Good	Good	0	0	1	1
IT Security Policy	2	1	50%	Good	Good	0	0	1	1
Schools Capital Projects	2	1	50%	Good	Good	0	0	1	1
Mayor's Charity Financial audit	1	1	100%	Good	Good	0	0	0	0
Youth Services	14	11	79%	Satisfactory	Good	0	1	2	3
Project Spot check	5	5	100%	Satisfactory	Good	0	0	0	0
Social Behaviour	12	10	83%	Satisfactory	Good	0	0	2	2
Family Group Conference	5	5	100%	Satisfactory	Good	0	0	0	0
Licensing Premises, People and Vehicles - Alcohol and Entertainment Activities covered by the 2003 Licensing Act	7	6	86%	Satisfactory	Satisfactory	1	0	0	1
General Ledger (Journals & Interfaces)	4	0	0%	Satisfactory	Satisfactory	0	1	3	4
Legal - Social Care	10	10	100%	Satisfactory	Satisfactory	0	0	0	0
Effectiveness of Internal Audit	3	3	100%	Satisfactory	Satisfactory	0	0	0	0
Woughton Leisure Centre	16	16	100%	Limited Assurance	Satisfactory	0	0	0	0
Attendance Management	5	3	60%	Limited Assurance	Satisfactory	1	1	0	2
Germander Park School	5	5	100%	Good	Good	0	0	0	0
St Mary's Wavendon CE Primary School	5	5	100%	Good	Good	0	0	0	0
Abbeys Primary School	4	4	100%	Satisfactory	Good	0	0	0	0
Hanslope School	5	5	100%	Satisfactory	Good	0	0	0	0
Lord Grey School	9	3	33%	Satisfactory	Good	0	2	3	5
Jubilee Wood (Formerly Penwith +Meadfurlong)	5	5	100%	Satisfactory	Good	0	0	0	0
Stanton School	6	6	100%	Satisfactory	Good	0	0	0	0
Langland Community School	9	9	100%	Limited Assurance	Good	0	0	0	0
St Paul's School	8	8	100%	Limited Assurance	Good	0	0	0	0
The Redway School	4	4	100%	Satisfactory	Satisfactory	0	0	0	0
Stantonbury Campus	13	5	38%	Limited Assurance	Limited Assurance	4	0	4	8
Grand Total	204	170	83%			6	5	19	30

Unplanned Audits

AuName	Comments	Type	Status
Carbon Reduction Commitment Energy Efficiency Scheme	Grant Certification	Audit	Complete
Broughton Pavilion	Officer Request for Assurance	Investigation	Complete
Caretaking Tracker	Disciplinary Investigation	Investigation	Complete
Depot systems	Compliance Review	Investigation	Complete
Key Fobs	Member Request for Assurance	Investigation	Complete
Criminal Case	Disciplinary Investigation	Investigation	Complete
Planning application	Member Request for Assurance	Investigation	Complete
Taxi Company	Member Request for Assurance	Investigation	Complete
Windmill Hill Golf Club	Service Brought back inhouse after Administration - consultancy	Investigation	Complete
Wolverton Agora Project	Audit Risk Review	Healthcheck	Not Started
Bradwell Abbey Project	Audit Risk Review	Healthcheck	Not Started

13/14 Proposed Audits to Cancel:

Audit	Comments	Importance	Plan Days
Contract Audits	Covered by other Audit Work	High	40
Adult Social Care Project	No Current projects in Adult Social Care	High	5
Project Spotchecks	Change in Approach to reviewing Projects	High	5
Projects - Lessons Learned	Change in Approach to reviewing Projects	High	20
Benefits realisation	Change in Approach to reviewing Projects	High	20
Data Protection / Information Governance Restructure	Restructure has not happened as yet.	Medium	6
Planning Obligations	Audit Resource Constraints	Medium	10
Fleet (incl workshop, fuel and stores)	Audit Resource Constraints	Medium	15
Highways Services (Permit scheme)	Audit Resource Constraints	Medium	15
Street Lighting (Energy)	Audit Resource Constraints	Medium	10
Overarching review of Legal / Lexcel Accreditation compliance review	Service due to be Restructured.	Medium	25
Bridge Programme	Include within Bridges Follow-up	Medium	2
Public Health Transition Project (part of OTP)	Project is Complete	Medium	2
Electronic Document Records Management System (EDRMS) Project	New Scoping phase in progress	Medium	3
Referral & Assessment team	Audit Resource Constraints	Medium	10
Carers - Short breaks	Audit Resource Constraints	Medium	6
Urban Design and Landscape Architects	Audit Resource Constraints	Low	5
Neighbourhood Engagement	Service no longer in place	Low	10
Independent Reviewing Officers	Audit Resource Constraints	Low	10
Conservation and Archaeology team	Audit Resource Constraints	Low	2
Regeneration Strategy Project	Not a project / strategy incl in Reperation MK project	Low	2
Core Strategy - Project	Project is Complete	Low	2
Local Welfare Reform Act Project	Project is Complete (There is an audit of Crisis Payments)	Low	1
		Total	226

RISK MANAGEMENT, BUSINESS CONTINUITY REPORT

Author: John Pettitt Head of Risk & Insurance Tel: (01908) 252315

Executive Summary:

To provide the Audit Committee with a summary of Risk Management activity across the Council for 2012/13 and an update for 2013/14.

1. Recommendation(s)

- 1.1 That the report be noted and any comments on the Council's Risk Management and Business Continuity progress given.

2. Issues**2.1 Overview**

2.1.1 Throughout 2012/13 the Audit Committee received periodic reports on the key risks being considered and managed throughout the Council. The Committee also received a presentation regarding the information held within GRACE, its structure and how to access those records to inform and support the work of the Committee.

2.1.2 Previously the Committee has been advised of the Risk Management processes applied throughout the Council including that CLT receive quarterly reports to allow them to consider the key risks across the Council.

2.1.3 In 2012/13 the Audit Committee recommended that GRACE be mandated to be used to record all risks across the Council. That was endorsed and adopted by CLT and work continues to capture all non-GRACE recorded risks and migrate that information onto GRACE.

2.2 Corporate Strategic Risks

2.2.1 Annex A provides the detail for the Strategic Risks owned and managed by CLT.

2.2.2 The most recent consideration by CLT highlighted a need to reflect 'Failure to deliver infrastructure to meet essential community needs and statutory responsibilities' as a key Strategic Risk. This is currently being developed and will include the risk/opportunity of broadband infrastructure.

2.3 AD Level Risks

2.3.1 The current list of AD Level risks is shown in Annex B. These change throughout the year to reflect changes in the risk environment and Annex B shows those AD level risks as at 21st October 2013.

2.4 Project Risks

2.4.1 As part of the implementation of the Audit Committee recommendation that all risks be recorded on GRACE the service reported to CLT in August highlighting:

- 43 of the 65 (66%) projects reported via the dashboard are recorded in GRACE – Annex C1
- 12 of 51 (23%) capital projects are recorded in GRACE - Annex C2

2.4.2 The R&BC and Performance & Portfolio Teams are working together to encourage project managers to follow MK Approach guidance and to migrate all project risks onto GRACE. It is anticipated this will be completed by 31/12/13.

2.5 Business Continuity

2.5.1 Most Essential Services exercised their Business Continuity plans during 2012/13 as part of a rolling programme of exercises. The learning from those was fed back into revised plans and wider application.

2.5.2 A key theme arising was the need for training for Log Keepers which was developed and rolled out in September 2013 by the R & BC and Emergency Planning Team. The role of Log Keeper is an important function replicated in both disciplines.

2.5.3 As part of the periodic review of risk and business continuity measures across the Council it was identified that the most recent IT Business Continuity Plan (dated March 2012) could not be located by IT. Their version, when found, was dated 2009. The IT BCP is an essential foundation to many services BCPs and must be regularly reviewed, kept up to date with key ICT staff familiar with its content and application. The IT BCP is being reviewed in conjunction with ICT as a matter of priority.

2.5.4 All Schools (including Academies) were invited to take part in a 'desk top' Business Continuity Exercise to enable them to rehearse their own plans. Disappointingly only 4 Schools engaged. A similar exercise will be planned for next year with greater encouragement to engage, with the involvement and exercising of the Children & Families Incident Management Team (CF:IMT), whilst the risk & business continuity team are also developing a package with an accredited training provider to give a resilience in schools training session in Autumn/Winter 2013.

2.6 2013/14 Priorities

2.6.1 The quarterly review of risks continues to be undertaken and reported to CLT.

2.6.2 The IT BCP is being reviewed in conjunction with ICT as a matter of priority as well as migrating all project risks into GRACE.

2.6.3 An internet version of GRACE is being tested. The new version will provide increased functions, including auto-reminders to alert risk owners to review their risks and highlight any actions not completed by the target date.

2.6.4 The R& BC Team is working with the Performance and Portfolio Team to ensure that risk is adequately captured in the Service Planning process.

- 2.6.5 Business Continuity software ClearView is being developed to provide greater resilience for Council services particularly as it is internet based and therefore access is not reliant upon Council servers / premises. It will automatically update plans with staff changes, prompt plan reviews, ensure version control and greatly improve the functioning of multiple plans. The software will also enable more detailed analysis of supply chain dependencies, an area of growing reliance for the Council. The R&BC team intend to commence roll out and training of the system amongst Plan Owners in the 2nd half of 2013/14.
- 2.6.6 The Council led Milton Keynes Business Resilience Forum (MKBRF) continues to grow and promote business resilience to organisations in and around Milton Keynes. MKBRF was recently shortlisted in a National award for their efforts. An event for businesses is planned for November 2013 focussing on the human aspects of business continuity.
- 2.6.7 The Internal Audit service is shortly to commence its annual audit of risk management arrangements. As requested by the Committee this will include assessment of whether the system is 'fit for purpose'.

3. Implications

3.1 Policy

4. This report is consistent with the agreed Risk & Business Continuity Strategy.

4.1 Key Risks

4.1.1 This work seeks to collate the Council's Key Risks so that the Council is actively managing its risks at the appropriate level and that CLT can gain assurance that the organisation is actively managing its risks, enabling the Council to take opportunities where available and manage threats to an acceptable level.

4.1.2 The ability of the Council to demonstrate effective and embedded risk management relies upon services proactively reviewing their risks and maintaining evidence of that.

5. Resources and Risk

5.1 This work seeks to ensure that the Council is managing its Key Risks to ensure that it protects its service areas from unforeseen events.

5.2 The Council must ensure that, as far as possible, it can maintain its Services during events that may cause disruption or reduction in service levels.

N	Capital	Y	Revenue	N	Accommodation
N	IT	Y	Medium Term Plan	Y	Asset Management

5.3 Carbon and Energy Management

None

5.4 Legal

None

5.5 Other Implications

None

N	Equalities/Diversity	Y	Sustainability	N	Human Rights
N	E-Government	Y	Stakeholders	N	Crime and Disorder
N	Carbon and Energy Policy				

Background Papers:

Risk		Need for political consensus to reach significant decisions						
Likelihood	5							
	Risk Owners		Hill, David		Current Score	16	Last Review	13/09/2013
					Target Score	4 x 3	Next Review	12/12/2013
				Previous Score	16			
		Triggers		Likelihood Factors (Vulnerability)		Potential Consequences		
		Confrontational approach: "Call-ins" etc. Delays in key decisions being taken Possible need to adjust to new political balance after the 2014 elections		Political processes make it difficult to respond promptly to service and organisation needs Approaching 'all out' elections will increase the weight given to short term electoral considerations		No clear consistent vision for the Council Decisions affected by short term political considerations Reputational risk (local & inspectorate) Difficult but necessary decisions delayed or not taken Managers need to spend a significant proportion of their time managing relationships with and between Members		

Actions/Controls Already In Place	Adequacy	Critical Success	Required Management Action/Control	Responsibility	Target Date
MKC Constitution and Processes including Agenda, Full Cabinet and Cabinet procedures	Reasonable	Council procedures facilitate effective scrutiny & challenge without impeding necessary decision taking	Review options for change in governance arrangements	Hill, David	03/10/2013
			Refresh of Corporate Plan (Review Group set up)	Snelson, Geoff	03/10/2013
Ongoing dialogue between Chief Executive and Group Leaders and between CD's and Lead Members	Good	Mutual awareness of service issues/political sensitivities			
Overview and Scrutiny process	Reasonable	Effective use of Select Committees to identify issues and options and effective response to issues raised by Select Committee and Audit Constructive challenge from Select Committee and Audit Committee			
Officer Reports Call-over	Good	Quality of Reports. Reports are fit for purpose, comply with Governance requirements and take account of prior Members input (Lead Member O&S and Ward Member)			
Emphasise local serviced based rationale for key decisions	Good	Focus on benefits of/implications for local people			
Promote informal dialogue between groups	Reasonable	Open and honest dialogue. Ability to respect differing positions			

Training for Report authors	Reasonable	Quality of Reports. Reports are clear and succinct
Political consensus behind main themes/priorities of the Corporate Plan 2012-16	Good	Broad agreement on key issues facing the Council
Consider timing of 'sensitive' reports/decisions	Good	Avoid unnecessary politicking

Risk Path: Political Consensus/0 CLT Corporate Strategic Risks/Milton Keynes Council

Risk		Council capacity to sustain pace of improvement at the same time as implementing OTP						
Likelihood	5		Risk Owners	Tolley, Gail	Current Score	9	Last Review	25/07/2013
	4				Target Score	3 x 3	Next Review	23/10/2013
	3		Triggers		Likelihood Factors (Vulnerability)		Potential Consequences	
	2			Volume of OTP change prevents existing improvement being sustained OTP dependent on specific skill sets and capacity.		Ongoing challenge of ensuring benefits realisation. Evidence of effective implementation of strands, e.g. strand 2 and specific projects e.g. CAT.		Potential loss of key staff Failure to sustain improvement leads to adverse outcomes in external assessments and national benchmarks Risks to budget, reputation and service quality
	1							

Actions/Controls Already In Place	Adequacy	Critical Success	Required Management Action/Control	Responsibility	Target Date
Regular, effective, and consistent comms. Staff Newsletters	Good	Maintain staff morale and engagement			
Council Plan, Corporate Plan Service Group Plans and Service Plans Appraisals	Reasonable	OTP= linked to and embedded in plans and appraisals. Targets linked to OTP			
Shared responsibility of CAB/CLT	Good	Political consensus around prioritisation of resources			
OTP implementation to timescales	Good	OTP strands implemented (to business as usual)			
Regular, effective Performance Challenge of Service Groups by CLT	Good	Consistent high performance of all Service Groups			

Risk Path: OTP & Improvements /0 CLT Corporate Strategic Risks/Milton Keynes Council

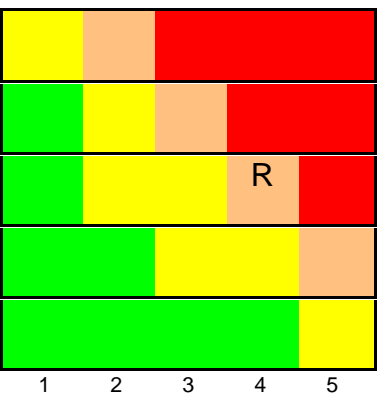
Risk		High level of savings in 13/14 plus further savings of £58m in 14/15 - 17/18 is a risk to the financial stability							
Likelihood	5			Risk Owners	Hannam, Tim	Current Score	15	Last Review	01/08/2013
	4					Target Score	5 x 3	Next Review	30/10/2013
	3			Triggers		Likelihood Factors (Vulnerability)		Potential Consequences	
2			Failure to plan or deliver savings Reserves fall below minimum requirements		Complexity of savings in 2013/14 2014/15 - 17/18 There may be difficult service choices arising from the need to make savings - can these be delivered 2013/14 Government will be changing the Formula Grant System		Council is driven to take short term decisions to address budget gap Failure to deliver objectives/meet service standards Unplanned use of reserves Undermines Members confidence of financial governance of Council Adverse auditor comment		
1							May lead to short term unplanned action. 2013/2014 Further service reductions arising from yet further required savings.		
		Consequence							

Actions/Controls Already In Place	Adequacy	Critical Success	Required Management Action/Control	Responsibility	Target Date
Medium Term Financial Planning	Good	Clearer awareness of consequences of MTFP processes	Track record of delivery We have achieved savings targets to date - and continue to monitor monthly <u>to ensure</u> delivery.	Hannam, Tim	05/08/2013
Effective budget management/delivery of savings	Good	Ongoing Budgetary compliance forecasting profiling	OTP Organisational Transformation Plan. Majority of OTP programme is on track <u>to deliver</u> savings	Hannam, Tim	05/08/2013
OTP Programme	Reasonable	Delivery of key transformational programme	MTFP Continue to use MTFP process to focus organisational effort on identifying and <u>delivering</u> medium term savings	Hannam, Tim	05/08/2013
Agreement of budget	Good	Members support of budget proposals			
CLT/senior management support need to plan and deliver savings	Good	All CDs and ADs continue to identify savings or reduce pressures which achieve the overall corporate savings gap and ensure delivery			

Risk Path: Extensive Nature of Savings/0 CLT Corporate Strategic Risks/Milton Keynes Council

Risk		The full benefit of the purchase of the HCA Assets and the buy-out of the PPP contract does not benefit MKC							
Likelihood	5			Risk Owners	CLT	Current Score	20	Last Review	21/10/2013
	4			Triggers		Target Score	3 x 3	Next Review	19/01/2014
	3			<p>Failure to develop the land portfolio to maximise its potential</p> <p>Failure to take advantage of the opportunity to streamline the interface between the Council and MKSP and improve processes across both entities to deliver significant savings/increases in income to the council.</p>	<p>MKDP</p> <p>Lack of political agreement to the development strategy</p> <p>Failure to bring forward or identify sites with development potential</p>	<p>The Council fails to achieve the opportunity to shape and promote the growth of Milton Keynes.</p>	<p>Council fails to capitalise on significant potential benefits arising from the formation of a wholly owned LLP.</p>		
	2								
	1								
				Likelihood Factors (Vulnerability)					

Actions/Controls Already In Place	Adequacy	Critical Success	Required Management Action/Control	Responsibility	Target Date
			<p>MKDP Board has both Council and Private sector representation and has an independent Chair</p> <p>The Board is structured to ensure private sector expertise is brought to bear on the portfolio. meetings which are fortnightly provide opportunity to assess progress and direct action to remove blockages</p>	Hannam, Tim	14/01/2015
			<p>Annual review of Business plan (BP)</p> <p>BP will be developed annually and agreed at June Cabinet. Quarterly updates on progress will be reported to Cabinet</p>	Hannam, Tim	10/06/2014
			<p>MKSP service review</p> <p>All services currently undertaken by MKSP and linked services in the Council are subject to review on a phased approach -</p>	Hodgson, Michael	28/11/2013

Risk		Failure to deliver infrastructure to meet essential community needs and statutory responsibilities						
Likelihood	5		Risk Owners	Hannam, Tim; Jones, Nicole	Current Score	12	Last Review	19/09/2013
	4		Target Score	12	Next Review	18/12/2013		
	3		Previous Score	12				
	2		Triggers	Likelihood Factors (Vulnerability)	Potential Consequences			
	1		<p>Infrastructure requirements are not adequately identified to enable resources to be identified to fund essential items in a timely manner</p> <p>Or resources are insufficient to deliver infrastructure requirements</p>	<p>Quality of infrastructure planning</p> <p>Quality of Local Investment Plan</p> <p>Availability of funding</p> <p>Inability to successfully influence LEP</p> <p>Further LA funding is diverted for distribution through LEP</p> <p>Lack of skills and knowledge in LEP to ensure strategic prioritisation and appropriate resource allocation</p> <p>Poor prioritisation of resource and conflicting priorities mean essential infrastructure cannot be delivered</p>	<p>Insufficient infrastructure to meet statutory requirements</p> <p>Delays to growth and resulting reputational damage</p> <p>Lower priority infrastructure is delivered as prioritisation process is inadequate</p>			

Actions/Controls Already In Place	Adequacy	Critical Success	Required Management Action/Control	Responsibility	Target Date
Alignment with Council Capital programme and longer term resource planning Single process for development of LIP and long-term capital planning for consistency Improvements in long-term resource forecasts	Reasonable	All schemes are identified Appropriate challenge and clarity of projects Availability of information for long-term resource planning	Influencing LEP Setting up adequate processes to influence the LEP in both approach and understanding of strategic planning and local needs. Ensuring decisions are made based on good understanding and evidence base. Understand linkages with demands and resources at a local level	Snelson, Geoff	19/10/2013
Finalise LIP to identify needs	Reasonable	Accuracy of schemes Input through consultation from partners Clarity on CIL position	Finalise the LIP Finalise LIP as basis for investment	Jones, Nicole	19/10/2013
Finalise current LIP to identify current needs	Reasonable		Reflect impacts of changes to CIL and S106 in future planning Reflect impacts of changes to CIL and S106 in future planning	Jones, Nicole	19/10/2013
Consultation on infrastructure needs through LIP	Reasonable	Members need to understand the scope of demands and current infrastructure funding issues in order to prioritise expenditure	Lobby for additional funding to support growth areas Lobby for additional funding to support growth areas	Jones, Nicole	19/10/2013
Consultation on infrastructure needs through LIP process and through scrutiny working group to create member awareness of the issues			Engagement with services to determine need Engagement with services and stakeholder to identify need not wants and ensure that all appreciate the financial context, to support future prioritisation	Jones, Nicole	19/10/2013

Risk Path: Failure to Deliver Infrastructure/0 CLT Corporate Strategic Risks/Milton Keynes Council

Risk		Economic situation impacts adversely on MK Community								
Likelihood	5				Risk Owners	Snelson, Geoff	Current Score	16	Last Review	02/10/2013
	4						Target Score	4 x 4	Next Review	31/12/2013
	3				Triggers		Likelihood Factors (Vulnerability)		Potential Consequences	
	2				Reduction in benefits		Reduced household incomes		Pressure on Services (e.g. homelessness, benefits) and budgets	
	1				Public Sector cuts		Reduced service levels		Vulnerable individuals/communities require additional support	
					Reductions in benefits				Response is reactive -	
					Public sector cuts					
					Rising fuel costs					

Actions/Controls Already In Place	Adequacy	Critical Success	Required Management Action/Control	Responsibility	Target Date
<p>Economic Development and Inward Investment plans to be delivered to help generate employment Include regular monitoring and performance of the economy and areas of vulnerability. To be overseen by MKC and will feed into Corporate Plan.</p>	Reasonable	Sustainability of Economic Development and inward investment programmes			
<p>Equalities Impact Assessments Structured assessments of impact of budget decision on groups with protected characteristics</p>	Good	Advance notice of potential budget changes			
<p>Review Welfare Reform Impacts Welfare Reform project includes cross agency and service reviews of impacts on community and services</p>	Good	Individual agencies and services understand impacts across their operations			
<p>Performance monitoring Service impacts considered through quarterly corporate performance monitoring</p>	Reasonable	Measures are aligned to areas of potential			

Risk Path: Economic Situation /0 CLT Corporate Strategic Risks/Milton Keynes Council

Risk		Re-organisations & cuts threaten the cohesion of partnership and delivery outcomes for the community					
Likelihood	5	Risk Owners		Current Score	16	Last Review	02/10/2013
	4			Target Score	3 x 3	Next Review	31/12/2013
	3			Previous Score	16		
	2	Triggers		Likelihood Factors (Vulnerability)		Potential Consequences	
	1						
Consequence		Health Service Changes Police restructuring Partners seek to implement national cuts without regard to impact on other partners Welfare Reforms and unintended consequences of parallel changes Localism agenda devolution to communities and other providers Partners seek to implement national cuts without regard to impact on other partners Localism agenda- devolution to communities & other providers		Impact on partners of MKC savings Impacts on MKC of partners reactions to cuts etc. Ability to coordinate activity across public voluntary sectors to meet community needs Capacity of other organisations/communities to take on service delivery Multi-factoral impact on more vulnerable individuals/community		Reliance on local knowledge and personalities Failure to achieve Council objectives where they rely on partnership delivery Leadership/political challenges to develop/maintain consistency of approach Unforeseen/unquantifiable costs Blame culture and conflict Poor outcomes for community	

Actions/Controls Already In Place	Adequacy	Critical Success	Required Management Action/Control	Responsibility	Target Date
Existing partnerships/partners maintain open & honest communications about their financial context	Good	Adequate & timely information available about national and local budget context			
Regular informal meetings with key MK partners To share information about financial context and risks associated with reduced funding of priorities for Milton Keynes	Good				
Have clear project plans for considering scope of devolution and other potential changes to service delivery	Reasonable	Agreed and tested delivery arrangements			
Corporate oversight of plan Consolidated OTP and Business as Usual planning Brief partners on implications of MKC budget decisions in advance	Good				
Equality Impact Assessment of relevant decisions	Good				

Risk Path: Re-organisations & cuts/0 CLT Corporate Strategic Risks/Milton Keynes Council

**Service Group Level Risks
(Residual Scores 10 to 25)**

Resources: Finance & HR Group:

None

Resources: Public Access Group:

Reduction in main civic sites either through incident or planned lease
Lack of corporate approach to Information Governance

Adult Social Care & Health Group:

Risk to Health & Social Care Services
Regulated Services may not be able to deliver optimal care due to the poor
response for supply of agency staff.
Compromised safety to service users and staff

Housing & Community Group:

Risk to rental income stream (HRA)
Reduced housing supply leads to GF overspend

Children & Families: Integrated Support & Social Care

Inability to deliver core functions within available resources

Children & Families: Education, Effectiveness & Participation

Service Resilience
Ability to deliver education function with continually reducing resources

Planning & Strategic Transport

Political change
Reduced funding for infrastructure
Changes in local & national policy and procedures
Staff morale declines

Public Realm Service Group

May not have the capacity to repair bridges beyond routine maintenance
Unable to contain revenue expenditure within budget 2013/14

Corporate Core

Embedding Performance Management culture

Annex C1

Dashboard	
Project	On GRACE
Delivery of the Local Investment Plan (current)	Y
Eastern Expansion Area	N
Western Expansion Area	N
CMK	Y
Strategic Land Allocation	N
School Capital Programme	Y
Two Year Old Early Education Entitlement	Y
Wolverton Pool	N
Broughton Pavilion	N
CMK Community Sports Facility including Synthetic Turf Pitch (STP)	N
Local Investment Plan (LIP) REVISION 2011-15 (Proposed Updated LIP)	Y
Digital Infrastructure Strategy (Broadband)	Y
Core Strategy	Y
Local Development Framework	Y
Plan:MK	N
Bletchley Conservation Partnership Scheme	Y
Planning Obligations Policy Review	Y
Strategic Land Allocation Development Framework	Y
Wolverton Agora	N
Better Bus Area Fund	Y
Real Time Passenger Information (RTPI)	Y
Green Bus Fund (Electric Bus Project)	Y
Community Transport Services	N
Traffic Management & Road Safety	N
Wolverton Station - Phase 1	Y
Wolverton Station - Phase 2 (Car Park & Drainage)	Y
Strategic Asset Programme (Footway Major)	Y
Priority Redways	N
Bradwell Abbey Heritage Site Improvement Programme	Y
Local Land & Property Gazetteer (LLPG)	Y
Welfare Reform Programme	Y
Inward Investment Plan	Y
Low Carbon Living Programme	Y
Pay and Reward	Y
Western Expansion Area (Sale of Land & Infrastructure)	Y
Virtualisation Phase II	N
EDRMS	Y
Independent Project (Older People)	Y
Adult Social Care Systems Improvement (including Framework Phase 2)	Y
Housing Capital Programme	N
Neighbourhood Plan for the Lakes Estate ("Front Runner")	Y
Regeneration Strategy	Y
Rent Collection and income Management Project	Y
Public Access Transformation	Y
Highways Contracting	Y
Traded Services (Fleet Service & MOT workshop)	Y
Open Spaces/Land Assets	Y

Workforce Analysis; Right People Right Place	N
Build a Culture of High Performance	N
Rationalisation of Office Accommodation	Y
Management of Property & Facilities	N
Community Infrastructure Levy, Management of Tariff, Local Investment Plan	Y
MK Service Partnership Business Review	Y
MK Development Partnership	N
Waste Infrastructure Projects	Y
Community Asset Transfer	Y
Country Parks	Y
Bereavement Services	Y
Regeneration (Physical)	Y
Rent Policy	N
Lakes Estate Phase 2	N
Asset Management	N
Building Council Houses (Wider Programme)	N
Willen Traveller's Site	N
Briar Hill/Snowberry Close Bungalows	Y

65
43

66.2%

**Annex C2
CPRP 2013-14**

Project	On GRACE
Dimming & Trimming	N
Network optimisation	N
Smarter Choices	N
Traffic Management	N
Bridges Programme	N
Aids and Adaptations	N
Health and Safety	N
Disabled Adaptations	N
Domestic Heating Installations	N
Renewable Fund	N
Windows Upgrade	N
Resurfacing Schemes	N
Surface Dressing Programme	N
Upgrading highway Carrier Drains Various Locations	N
Footways/Redways/Backways	Y
Upgrading & new installation of Winter Maintenance Weather	N
Millmead heating upgrade and enhancements	N
Greenleys Community Centre enhancements	N
Planned Improvements	N
Additional Highway Network Upgrading	N
QBI - updated version	Y
Rural and Urban - updated version	Y
Disabled Facilites Grant - updated version 14.1.2013	N
Client Team Costs	N
Pupil Specific Works	N
Bus Service Information - updated version	Y
Road Safety	N
Mail Services	N
Fleet Modification for Bio-methane	Y
Bradwell Abbey (REST) Project)	Y
Contribution towards purchasing a vehicle	N
Kinston Library relocation	N
Water Tank Storage	N
Shower Facilites	N
Card Reader Project	N
Department of Health - Capital Funding Application for people with Dementia	N
ICT Asset Programme	N
Priority Redways Network Improvement Project	N
S106 for Play Areas	Y
Stanton Low Country Park/Purchase of the Hanson Centre	Y
Russell Street School Expansion	Y

New Bradwell School Expansion	Y
Germander Park School Extension	N
The Willows - Additional accomodation	N
Brooklands Secondary School	Y
Walnuts infant School Expansion	N
Jubilee Wood Primary School	N
Moorland Infant Extension	N
Loughton School 1 FOE Expansions	N
Shenley Brook End	Y
201415 Schools Captial Maintenance	N

ITEM 9

AUDIT COMMITTEE

5 NOVEMBER 2013

MKSP ANNUAL GOVERNANCE STATEMENT 2012/13 ACTION PLAN UPDATE

Contact Officer: Michael Hodgson (Partnership Director – MKSP) – Tel 01908 252091

1. Purpose

- 1.1 To provide an update on the actions listed in the 2012/13 Annual Governance Statement, previously reviewed by the Audit Committee.
- 1.2 That the Committee notes the progress to date and any outstanding actions.

2. Recommendations

- 2.1 That the Committee note the actions and progress made as detailed in Annex A.
- 2.2 That the Committee note the progress made on each of the Service Reviews as detailed in Annex B.

3. Issues and Choices

- 3.1 None.

4 Implications

- 4.1 Policy

None

- 4.2 Resources and Risk

There are no direct resource implications.

<input type="checkbox"/> x	Capital	<input type="checkbox"/> y	Revenue	<input type="checkbox"/> y	Accommodation
<input type="checkbox"/> y	IT	<input type="checkbox"/> y	Medium Term Plan	<input type="checkbox"/> x	Asset Management

- 4.3 Legal

- 4.4 Other Implications

<input type="checkbox"/> y	Equalities Diversity	/	<input type="checkbox"/> x	Sustainability	<input type="checkbox"/> y	Human Rights
<input type="checkbox"/> x	E-Government		<input type="checkbox"/> y	Stakeholders	<input type="checkbox"/> x	Crime and Disorder

Background Papers: Annual Governance Statement 2012/13

New LLP's in place require embedding into the Council's governance processes

Financial Regulations and other rules to be updated to reflect LLP's – This is complete, with the Council and LLP Financial Procedure Rules and Financial Regulations now updated to reflect the existence of the LLP's and the interaction between all three parties. The FPR's and Financial Regulations have been approved by Members and the respective Boards and are now in full application cross the appropriate entities.

Interim business plans are currently in place and full business plans to be submitted to the Cabinet – The partnership already has a draft business plan which was drawn up at the start of the partnership. All service areas within MKSP have started to work on new business plans which will be presented by March 2014 when the revised shape of the partnership will be known post the service reviews. Through out the process these will be subject to a detailed challenge and review and will be considered both individually and as a group, to ensure that the overall objectives of the Partnership are addressed.

Communication in respect of LLP's to be strengthened so that members and officers better understand the governance relationship

Briefing provided for members and officers on the LLP's and their links with the authority – The MKSP Board review the financial position of the partnership at its meetings, which has also been taken to the Budget Review Group and Cabinet. Updates on the service reviews and progress of the partnership to date been provided to Corporate Affairs and Cabinet in October. These meetings included discussion around the roles and responsibilities of both the Council and the Partnership and its governance to ensure that the responsibilities between parties are clear and efficient.

Review LLP services to ensure that the current MKSP structure is the best possible going forward

Review of interface between MKSP and the Council to be undertaken – Detailed reviews of each service are being undertaken and details of the progress made has been presented to Cabinet and Corporate Affairs Committee in October. An extension has been requested and agreed by Cabinet to allow the reviews to be undertaken in the necessary detail. A further update to Cabinet is scheduled for March 2014. An update on the current position of the reviews is contained in Annex B.

Confirm the governance arrangements for MKDP and MKSP in relation to the Council and commence regular reporting, as set out in the members agreements – MKSP reports to Cabinet on a regular basis, providing details of the financial position and highlighting any issues that require Member consideration. In terms of governance arrangements, the MKSP board meets on a bi-monthly basis and is made up of all-party representatives of Cabinet, the Chief Executive of MKC, the Corporate Director of Resources and the Partnership Director of MKSP.

MILTON KEYNES SERVICE PARTNERSHIP REVIEW

Review Area	Initial Review Completed	Outcome	Staff Transfer	Next Stage
Parking	Yes	Transfer MKSP July 2013	3 Roles	Further review of structure. Completion 31 March 2014
Audit, Risk and Insurance, Business Continuity	Yes	Transfer MKSP September 2013	31 Roles	Further review of structure. Completion 31 March 2014
Revenues and Benefits	Yes	Transfer MKSP September 2013	4.59 Roles	Restructure post further information on Welfare Reform.
Customer Contact Centre	Yes	Service stays within MKSP	None	Restructure ongoing to reflect the requirements of the Public Access Strategy.
Human Resources	Yes	Strategic HR role transfers to MKSP 1 July 2013	1 Role	HR transfer reflects the removal of 3 MKC posts by 31 December 2013.
Finance	Yes	Strategic Finance transfers to MKSP 1 September 2013	5.86 Roles	Finance structure being designed, expected completion 31 March 2014
Bridges and Highways	Partial	Transfer of Highways post to MKC	1 Role	The full review of the Bridge Service delayed until January 2014 at the request of MKC

Property and Facilities Management	Ongoing	No Decision	None	Review board have received proposal to go to CLT and MKSP Board. Conclusion to the review anticipated by 31 st December 2013.
Building Services	Ongoing	No decision	None	MKC have employed a specialist consultant to determine what structure is required going forward. Report expected at the end of October 2013.
ICT and Print	Ongoing	No decision	None	Proposals expected October 2013.
Connect MK	Ongoing	No decision	None	Review proposals are out to consultation by the staff involved.
ITPU	Delayed	No decision	None	Review delayed until the new Passenger Transport Strategy has been formulated.
Business Support	Ongoing	No decision	None	Initial proposals as to the shape of business support have been received by the review board. Further work is ongoing.
Debt Review	Ongoing	No Decision	None	The debt review is council wide and has been included as part of the review as there are potential staffing issues between MKC and MKSP.

INTERNAL AUDIT AND AUDIT COMMITTEE ENGAGEMENT

Author: Lynda Baker, Head of Internal Audit, Tel: (01908) 252227

Executive Summary:

At its meeting in September the Audit Committee requested a report to consider the mechanisms of how Internal Audit engages with and gives suitable assurance to the Audit Committee.

1. Recommendation(s)

- 1.1 That the Committee comment on the Charter (Annex A), the Strategy (Annex B) and gives its views on the options set out within this report.

2. Issues

- 2.1. Internal Audit is provided via MKSP in accordance with the Public Sector Internal Audit Standards (PSIAS) and relevant legislation eg Local Government Act 1972 and the Accounts and Audit Regulations.
- 2.2. Whilst these requirements set relevant standards there remains scope to tailor Internal Audit processes and approach to the needs of the organisation. The standards and approach adopted by Internal Audit is usually enshrined within a Charter and Strategy. As part of the service review within MKSP the IA service, its processes, structures and policies are being reviewed.
- 2.3. This report seeks to set out the draft IA Charter and Strategy for comments and also provide some choices for the committee to express views on areas where the service can apply different approaches.
- 2.4. The key context for these issues is the PSIAS which became applicable from April 2013. The Committee was provided with a summary of the key issues within PSIAS at its meeting on 10th April 2013. The Committee resolved to perform the role of 'Board' as defined by the PSIAS. Under the PSIAS the Board became responsible for approving the internal audit charter, strategy and audit plans.
- 2.5. As reported to the Committee in April 2013 the PSIAS are less concerned with 'line management arrangements and more focused on the independent function and reporting of IA. Thus the Committee's views are invited on the areas set out below.
- 2.6. It is worth highlighting that the Audit Committee is not the sole key stakeholder with respect to IA and it is important to highlight that the issues set out within this report need to be consulted with the Cabinet Members and Corporate Leadership Team / Senior Officers.

2.7. The Charter and Strategy are attached at Annex A and Annex B for comments from the Committee.

2.8. Additionally the review of IA following its transfer to MKSP is considering several options for MKC to determine the Audit approach to be adopted in several areas of IA process. The Committee's views are invited on the following:

2.9. Service Principles

2.9.1. Annex C sets out an over-view of some service principles which could be included within the Internal Audit Handbook or new Customer Charter. These seek to set out the key commitments considered necessary to support the effective delivery of a robust and high quality IA service.

2.9.2. The approach set out seeks to identify key stages within the Audit Plan process and methodology applied to individual audits to define the key issues that:

- IA will commit to delivering
- Management will commit to deliver
- Audit Committee will commit to provide

2.9.3. Members views are invited.

2.10. Audit Reports

2.10.1. CIPFA guidance advises that:

Audit Committees should not normally be provided with the full text of internal audit reports. There are several reasons for this including that:

- Audit reports are mainly concerned with operational details, while audit committees and members should have a focus on the strategic or corporate assurances ie normally restricted to assurance that the organisation's systems of internal control are adequate and that action is taken to ensure that any short comings are rectified promptly.
- Developing a constructive working relationship with managers may be much more difficult for internal audit if complete audit reports are sent to members as a matter of course. If this does happen, managers may become more defensive and internal audit will be less able to promote further improvements in internal control and value for money.
- Members should not be over concerned with adverse internal audit conclusions if reasonable recommendations suggested by internal audit have been accepted and these have been promptly implemented.
- However, if major internal control weaknesses are discovered these should be reported to the audit committee as this may indicate general weaknesses in the management of the section or the department concerned. Audit findings that appear to show a common thread of similar weaknesses throughout the organisation should also be reported to the audit committee.

2.10.2. Previously however Members have highlighted interest in developing strategic / corporate assurance through better understanding of individual audit issues and reports. Therefore the following sections provide some areas the Committee can consider to aide that strategic role.

2.10.3. Individual Audit Terms of Reference

Currently ToR's are discussed with the client service officers only. It is important to highlight that the PSIAS places a clear responsibility on the HoIA to be supported in auditing whatever they feel necessary to audit.

ToR's are not discussed in the context that a client can object or refuse for an area to be audited. However the service perspective can be invaluable in informing the HoIA views on what, if anything, should be audited and subsequently risk assessed. It also provides an opportunity to audit other associated matters that for little if any additional resource adds value to the individual audit.

At present Members are not usually consulted on ToR. The IA service undertakes over 100 audits annually. Consultation with Members (either or both the Audit Committee and or Cabinet) must not delay the audits being undertaken but could provide more context for the HoIA in planning individual work.

2.10.4. Report Structure

Currently the IA service produces individual Audit Reports that:

- Summarise the scope and background of the work
- Give an overall assurance Opinion as required by professional standards supported by a traffic light (Red, Amber, Green) assessment of the key areas of control agreed within the Terms of Reference
- Explain the basis for the opinion and outline the key findings based upon evidence, issues and risks, in the conclusion
- Give a summary of detailed findings against each objective
- Provide a Management Action Plan documenting more detail on issues identified, risks, agreed actions, responsible officer and target dates.

The Committee are asked to highlight any areas in the current report format that they find particularly helpful or any issue / layout or structure that would improve the report for Members..

2.10.5. Publication

The Committee has been consistent in applying a policy that all reports will be published. A process is completed to advise CLT, Committee members and Cabinet members of reports scheduled to be published.

The process has 3 implications:

- (1) It enhances the view that IA work (and thus the adequacy of governance arrangements within those areas audited) is transparent to give the public and stakeholders confidence in the IA process and its findings.
- (2) It can cause anxiety within services and on occasion may reduce the level of co-operation and information that is volunteered to IA.
- (3) It requires administrative resource to schedule, advise and ensure publication. This is offset against the savings achieved because the reports are readily available and no specific resource is needed to provide a requested report.

The Committee could:

- determine no reports be published unless FOI requests are made (providing an administrative saving)
- determine reports not be routinely published unless the Committee (or Cabinet) requests their publication
- continue with the current policy of all reports be published.

2.10.6. Production of Final Reports

Recently the Committee has highlighted a concern regarding the content of some IA final reports published / issued. Some Members of the Committee have expressed concerns regarding how members can have confidence that the published report is, to use a common audit phrase, 'the unvarnished truth'.

Assurance is gained in 2 ways:

- (1) the professional assurance from the HoIA
- (2) the process applied to evolve a draft report to its final format.

At present Members have an ability to review draft reports, to gain that assurance, but only once the final has been issued. A neighbouring authority has recently introduced a Member panel that considers every draft report, involving both IA and the service management, when the report is still draft. There is an obvious tension between the relevant guidance (ie CIPFA) outlined in 2.10 and this approach.

It is possible to create a sub-group or working group from the Audit Committee, perhaps chaired by an independent member, that could adopt that approach.

Several factors are considered relevant:

- Whilst it could be considered such a process would / could protect the HoIA from undue influence the reverse could also be perceived. The need for the HoIA to be able to report in her own name irrespective of that groups views must be documented.
- The work of any sub-group to consider draft reports will need to respect the key role of the Audit Committee to maintain its strategic view of Audit assurance.
- This will undoubtedly place additional time pressures on Members.
- The group would need to meet, at least initially, every 2-3 weeks for such meetings to be manageable
- Such a group would need to be a confidential meeting and such confidentiality adhered to.
- Such a group could include a Cabinet Member
- Such a group could be chaired by an independent member of the Committee (to avoid misperceptions of politicisation of IA issues)
- Such a group must not unduly delay the audit processes if the Audit Plan is to be completed within existing resources.

2.10.7. Member views on the above areas are invited.

2.11. Audit Opinion

2.11.1. The PSIAS require a formal Audit Opinion (on the adequacy of controls audited) to be included within every report for every area audited.

2.11.2. There are a range of methods by which the opinion can be based / given. Currently the IA service applies a system that categorises an audit into one of 4 categories – Weak, Limited, Satisfactory or Good. The service currently does not apply a standard or formulaic definition of these categories, but explains in the conclusion the reasoning behind the opinion given. However, a broad definition of each is given below:

- *Weak : The control system is absent or has fundamental weaknesses with major areas of risk.*

- Limited : *There are very significant weaknesses in key areas in the system of control; there is a risk of loss, fraud, impropriety, damage to reputation or that objectives won't be achieved.*
- Satisfactory : *The control system is basically sound but there are several minor weaknesses or a significant weakness resulting in moderate levels of risk.*
- Good : *There is a sound system of control. Although there may be a small number of minor weaknesses there are no major areas of risk*

2.11.3. Those categories are applied from a professional judgement of the auditor based on all factors and then discussed within the draft report.

2.11.4. Some IA services apply a more formulaic approach eg if evidence showed less than 60% of controls operating properly a Weak opinion applies. This is not recommended as it removes the professional judgement and legitimate service perspective where certain control areas are more significant than others.

2.11.5. However such formula could be used to provide some context to discussions at draft report stage regarding a fair Audit Opinion.

2.11.6. Additionally the narrative of those opinions varies across IA services. Some alternative examples are given on Annex D.

2.11.7. The Committee's views are invited

2.12. Monitoring

2.12.1. The Committee receives various IA updates throughout the year and usually to every meeting.

2.12.2. The Committee could choose to reduce these updates or vary the information provided. At present the reports are detailed in respect of audits in progress, completed etc as well as IA performance measures and staffing issues. A more summarised or exception based update report could be provided for example a brief overview with accompanying detailed annexes as provided currently.

2.12.3. At the September meeting Members, with respect to the Highways issue, expressed concern that previously audited services reporting a Weak or Limited Audit Opinion were not obvious. Whilst these are reported in detail within every update report (both as final report and follow up) they are not highlighted.

- 2.12.4. If it assists the Committee, every update report could include a specific section listing all audits with a Weak or Limited opinion 'until that opinion can be properly revised, based on evidenced testing, to be at least Satisfactory'.
- 2.12.5. The Committee is invited to highlight any information it may wish to receive in less detail or not be reported.
- 2.12.6. The Committee is invited to highlight any theme it feels should be added to periodic reports.

2.13. Training / Member Relationships

2.13.1. Training is provided to Committee Members (and other Members) via adhoc specific workshops and brief outlines that preface certain reports as they are presented to the Committee. Mindful of some comments made by Members at the September meeting, there is an opportunity to use training to provide a forum by the relationships between Members and Officers from IA can also be enhanced.

2.13.2. Options include:

- Regular pre-defined training workshops in advance of every meeting
- Workshops involve / be attended by IA staff from all levels to gain a better understanding of Member issues and become known to Members
- A (or some) whole 'Training day' be assigned for training attended by all Members and IA staff.
- A more creative / unusual approach for a workshop involving a 'speed dating' style of inter-action.

This would be delivered by IA staff individually. Members would rotate through a 5 minute topic with an Auditor then move onto another through a 30 minute session followed by a 10-15 minute Member feedback.

2.13.3. Members views are invited.

3. Implications

3.1. Policy

The attached options and views will influence the development of IA processes and policies for MKC.

3.2. Resources and Risk

As above

N	Capital	N	Revenue	N	Accommodation
N	IT	N	Medium Term Plan	N	Asset Management

3.3. Carbon and Energy Management

None

3.4. Legal

None

3.5. Other Implications

None .

N	Equalities/Diversity	N	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder
N	Carbon and Energy Policy				

Background Papers:

Annex A - Draft Internal Audit Charter

Annex B – Draft Internal Audit Strategy

Annex C – Key Commitments

Annex D – Sample Audit opinions



Milton Keynes
Service
Partnership

INTERNAL AUDIT SERVICE

INTERNAL AUDIT CHARTER FOR MILTON KEYNES COUNCIL

LYNDA BAKER, HEAD OF INTERNAL AUDIT

OCTOBER 2013

INTERNAL AUDIT CHARTER

INTRODUCTION

This Charter sets out the purpose, authority and principal responsibilities of the Internal Audit Service for Milton Keynes Council.

The Internal Audit Service is provided by the Milton Keynes Service Partnership (MKSP).

The Charter has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards and will be approved at least annually with any changes submitted to the Audit Committee and the Corporate Leadership Team.

STATUTORY BASIS OF INTERNAL AUDIT

The statutory basis for internal audit in local government is provided in the Accounts and Audit Regulations 2011 which states that *a local authority shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practice*. The Council adopts this statutory requirement in its financial regulations and through this charter.

In addition to the above, the Director of Resources (s151 Officer) has a statutory duty under Section 151 of the Local Government Act 1972, to establish a clear framework for the proper administration of the local authority's affairs. To perform that duty the Section 151 Officer relies on, amongst other things, the work of the internal audit service to provide assurance for systems of internal control, financial management and other governance processes.

The standards for proper practice in relation to internal audit are laid down in the Public Sector Internal Audit Standards (PSIAS) applicable from April 2013. This charter ensures compliance with these professional standards.

DEFINITION OF INTERNAL AUDIT

The recently published Public Sector Internal Audit Standards defines Internal Audit as:

An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

PURPOSE

Internal Audit will provide the public, Councillors and Council officers with confidence that Council operations are properly governed and controlled, risks are effectively managed and service delivery meets customer need. Where confidence is not possible the service will ensure that the implications and risks are understood to ensure proportionate action is taken. Internal Audit will be responsive to Department's needs and the risks to which the Council is exposed.

Internal Audit is not responsible for the control systems it audits. Responsibility for effective internal control rests with the management / executive of the Council.

AUTHORITY

In accordance with the definitions of the Public Sector Internal Audit Standards, the Head of Internal Audit is the Council's 'Chief Audit Executive', the Audit Committee are 'The Board' and the Council's Corporate Leadership Team (CLT) are 'Senior Management'

Milton Keynes Council's Internal Audit Service is delivered through the Milton Keynes Service Partnership (MKSP).

In accordance with PSIAS, the Head of Internal Audit (HoIA) has personal, full responsibility for the operation and delivery of the Internal Audit function including the production and execution of the audit plan and subsequent audit activities. The annual audit plan will be agreed in consultation with relevant officers, the Audit Committee, and the CLT.

Internal Audit's authority is documented and defined within various Council and MKSP policies including the Council's Constitution and Financial Regulations.

ACCESS & CONFIDENTIALITY

Internal Audit has unrestricted access to all Council and partner records and information (whether manual or computerised systems), officers, cash, stores and other property, it considers necessary to fulfil its responsibilities. Internal Audit may enter Council property and has unrestricted access to all locations and officers without prior notice if necessary.

All Council contracts and partnerships shall contain similar provision for Internal Audit to access records pertaining to the Councils business held by contractors or partners.

All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities

The Audit Committee (as the Board) shall be informed of any restriction unduly placed on the scope of Internal Audit's activities which in the opinion of the HoIA prevent the proper discharge of IA functions.

The HoIA and individual audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

RESPONSIBILITIES

Corporate Directors, Assistant Directors and Heads of Service are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services and achieve approved objectives / policy.

The Head of Internal Audit is required to provide an annual opinion to the Council through the Audit Committee and the Annual Governance Statement, on the adequacy and effectiveness of the internal control system for the whole Council. In order to achieve this, the Internal Audit Service has the following objectives:

1. To provide a high quality, robust and independent / objective Internal Audit service
2. To provide a systematic evaluation of the effectiveness of, internal control and governance processes;
3. To carry out assurance and consultancy activities across all aspects of the Council on a risk assessed basis;
4. To provide assurance to management and the Audit Committee that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures;
5. To provide assurance to management and the Audit Committee on the integrity and reliability of the Council's financial and operating information, quality of performance management safeguarding of assets, and the economic, effective and efficient use of resources;
6. To provide assurance that significant risks to the Council's objectives are being managed. .This includes annually assessing the adequacy and effectiveness of the risk management process;
7. To provide clear and concise internal audit reports and agree actions to support management in implementing improvements to control and governance processes
8. To promote an anti-fraud culture within the Council and investigate all cases of suspected financial irregularity, fraud or corruption;
9. To co-ordinate with the work of the external auditors for audit planning and assisting the external auditors as required.

Internal Audit may also, where the resources and appropriate skills allow, provide additional services, including support to management, consultancy and investigative work. These services apply the professional skills of Internal Audit through a systematic and disciplined approach in line with the principles of the Council's Internal Audit Service and may contribute to the opinion that Internal Audit provides on the control environment.

Where other external assurance providers (such as Ernst & Young, OFSTED, CSCI, CQC) and internal assurance providers may have undertaken relevant assurance and audit work, Internal Audit will seek to rely on the work of these other assurance providers where professional standards would make it appropriate to do so

INTERNAL AUDIT REPORTING LINES

To provide for independence the day to day management of the Internal Audit Service is undertaken by the HoIA who reports functionally to the Audit Committee and administratively to the MKSP Partnership Director. This accords with the Public Sector Internal Audit Standards which requires the HoIA to report to the very top of the organisation

The HoIA has direct and unrestricted access to the MKC Chief Executive, Resources Director (S151 Officer), Corporate Directors, External Audit, Audit and / or Scrutiny Committees at her discretion, including private meetings with the Chair of the Audit Committee. The HoIA has direct and unrestricted access to the Partnership Director, the Board and all senior officers of MKSP.

PROFESSIONALISM

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards;
- All Council Policies and Procedures;
- Professional standards and Code of Ethics required by auditor's respective professional bodies;
- Internal Audit Strategy, Charter and Audit Manual; and
- All relevant legislation

In addition to the above the HoIA will also comply with the requirements set out in CIPFA's "The Role of the Head of Internal Audit in Public Service Organisations".

INDEPENDENCE & OBJECTIVITY

Independence is essential to the effectiveness of the internal audit service; so it will remain free from interference in all regards. This shall include, but not be limited to matters of audit selection, scope, procedure, frequency, timing or report content.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment. Where auditors have previously been involved in any of these activities or consultancy work they will be prohibited from auditing those areas at least 2 years.. Audits are rotated within the team to avoid over-familiarity and complacency

In addition to the ethical requirements of the various professional bodies, each auditor is required to sign an annual declaration of interest to ensure that the allocation of audit work avoids conflict of interest and declare any potential 'conflict of interest' on allocation of an audit.

The HoIA will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit service.

INTERNAL AUDIT REPORTING

Internal Audit Reports

A written report will be prepared and issued following the conclusion of each internal audit engagement, including follow up audits; unless in the opinion of the HoIA a written report is unnecessary.

Each report will:

- provide an evidenced opinion on the adequacy of the governance, risk and control processes;
- identify inadequately addressed risks and non-effective control processes;
- detail agreed actions including explanation for any corrective action that will not be implemented;
- provide management's response and timescale for corrective action.
- Identify individuals responsible for implementing agreed actions

Senior Management shall ensure that agreed corrective actions are introduced.

All audits and follow ups receiving a weak or limited audit opinion will be highlighted to the CLT, the Audit Committee and Cabinet. Regular reports to the Audit Committee shall highlight each weak / limited report until controls have been restored to satisfactory levels at least.

Reports will be published on the internet within 2 months of completion, in accordance with the Freedom of Information Act 2000.

Reporting to the Audit Committee

The HoIA will provide regular update reports to the Audit Committee to advise on the progress in completing the audit plan, the outcomes of each internal audit engagement, and any significant risk exposures and control issues identified during audit work.

The HoIA will also provide an annual report giving an opinion on the overall adequacy and effectiveness of the control environment which will be timed to support the Council's Annual Governance Statement.

In addition the Audit Committee will be informed of:

- Any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken
- Results from the quality assurance and improvement programme will
- Any instances of non-conformance with the Public Sector Internal Audit Standards.

QUALITY ASSURANCE

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of:

- ongoing performance monitoring;
- an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards;
- an external assessment at least once every five years by a suitably qualified, independent assessor;
- A programme of Continuous Professional Development (CPD) for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies;
- The HoIA holding a professional qualification (current HoIA holds both FCCA and CMIIA) and being suitably experienced;
- Encouraging, and where appropriate acting on, Customer feedback



Milton Keynes
Service
Partnership

INTERNAL AUDIT SERVICE

INTERNAL AUDIT STRATEGY FOR MILTON KEYNES COUNCIL

LYNDA BAKER, HEAD OF INTERNAL AUDIT

OCTOBER 2013

INTERNAL AUDIT STRATEGY

INTRODUCTION AND STRATEGIC CONTENT

As funding reductions take effect the context for local government and for the overall governance, risk and control environment within which it operates is increasingly challenging. Efficiency and transformation programmes are fundamentally altering the nature and structure of the Council. Services which have become increasingly sophisticated in their understanding of risk management and may be prepared to accept greater levels of controlled risk in order to achieve their aims. There is greater transparency and scrutiny of public expenditure and governance. These changes affect the overall governance, risk and control environment.

To give value in this context, internal audit will deliver the core responsibilities, which are to provide appropriate assurance to members and senior management on the effectiveness of governance, risk and control arrangements in delivering the achievement of Council and Service objectives. Internal Audit will identify and focus its effort on what is significant, risky and important and have the right skills and resources to deliver. It will comply with appropriate regulations and the Public Sector Internal Audit Standards.

Our vision is for a service which:

Focuses on what is important	Deploying its resources where there is most value; this is towards the corporate objectives and priorities, the key risks which may prevent achievement of the objectives and delivering responsibilities, and the important processes which facilitate this. Is flexible and responsive to the needs of the Council.
Is outward looking and forward focussed	Being aware of national and local developments and of their potential impact on the Council's governance, risk management and control arrangements.
Gives value by providing assurance	There is inherent value in providing assurance to senior managers and members that the arrangements they put in place are working effectively, and in helping managers to improve the systems and processes for which they are responsible.
Gets the right balance of independent support and challenge	Avoiding a tone which blames, but being resolute in challenging for the wider benefit of the Council and people of Milton Keynes
Has impact	Delivering work which has buy-in and which leads to sustained change
Is welcomed at the top table	Identifying and sharing organisational issues and themes, and for these to be recognised and taken on board. Working constructively with management to support new developments.
Strengthens the governance of the Council	Being ambassadors for and encouraging the Council towards best practice in order to maximise the chances of achieving its objectives, including the provision of consultancy and advice.

PURPOSE

The purpose of the audit strategy is to put in place an approach that will enable Internal Audit to deliver a modern and effective service that

- Meets the requirements of the Public Sector Internal Audit Standards and the Accounts and Audit Regulations 2011;
- Ensures effective audit coverage and a mechanism to provide independent and objective overall assurance in particular to Members and management;
- Provides an independent annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment;
- Identifies the highest risk areas of the Council and allocates available internal audit resources accordingly;
- Adds value and supports senior management in providing effective control and identifying opportunities for improving value for money; and
- Supports the S151 officer in maintaining prudent financial stewardship for the Council

The Strategy is supported by:

- The Internal Audit Charter
- The Customer Charter
- The Internal Audit Handbook
- The Internal Audit Plan
- The agreement between Milton Keynes Service Partnership and Milton Keynes Council

HOW THE SERVICE WILL BE PROVIDED

The service will be delivered through Milton Keynes Service Partnership (MKSP) a 100% Council owned Limited Liability Partnership (LLP). The Internal Audit Service maintains an ongoing and comprehensive understanding of:

- Local Government / Public Sector
- Milton Keynes Council and community
- Professional Audit and Corporate Governance standards

Resources and Skills

Whilst the number of available audit days to the Internal Audit Service has decreased this is still considered to be sufficient to enable the audit service to deliver the risk based plan in accordance with professional standards. This takes into account the fact that additional resource will be procured as and when necessary e.g. for technical IT audits, when significant resource is diverted through unplanned work. The focus on the high risk areas will reduce the overall coverage required.

In order to deliver the Annual Audit Plan at the required quality and professionalism we strive to ensure that the team have the required mix of skills and experience. The use of external experts e.g. IT auditors compared to employing or developing these expensive resources in house is constantly under review to ensure that the service delivers a high quality product at best value

for money. Future recruitment will take into account the expertise and skills required to fill any gaps within the current service.

The breadth of coverage within the plan necessitates a wide range of high quality audit skills. The types of audit work undertaken include:

- Risk based system audit
- Compliance audit
- IT audit
- Procurement and contract management audit
- Project and programme audits
- Fraud/investigation work
- Value for money audit
- Control self assessment techniques
- Consultancy and advice

All 11 current staff within the audit service hold a relevant professional qualification or part qualification. All participate in continuing professional development, both in relation to specific audit skills e.g. contract audit, and softer skills e.g. communication skills.

The Head of Internal Audit operates in accordance with the CIPFA guidance on the 'Role of the Head of Internal Audit in Public Service Organisations'.

GIVING ASSURANCE

Internal Audit Annual Opinion

Each year the Head of Internal Audit will provide a publicly reported opinion on the effectiveness of governance, risk and control, which also informs the Annual Governance Statement. This will be supported by reliable and relevant evidence gathered through all work undertaken by Internal Audit during the year.

The work of Internal Audit is therefore key and the service must plan, conduct and report its work and maintain effective relationships with key stakeholders.

Audit Planning

The audit plan guides the work of the service during the year. The planning principles are:

- Focussing assurance effort on the most important issues, the key obligations, outcomes and objectives, critical business processes and projects, and principal risks; pitching coverage therefore at both strategic and key operational aspects
- Maintaining up to date awareness of the impact of the external and internal environment on control arrangements
- Using a risk assessment methodology to determine priorities for audit coverage based as far as possible on management's view of risk in conjunction with other intelligence sources e.g. corporate risk register, audit risk scores
- Taking account of dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, but recognising in a resource constrained environment there will be situations when not all needs can be met which is where risk management is key

- Being flexible so that the plan evolves through the year in response to emerging risks and issues
- Providing for the delivery of key commitments, such as work done in support of the External Auditor thus reducing the external audit fee, and to deliver governance and anti-fraud responsibilities
- Including provision for responding to management requests for assistance with special investigations, consultancy and other forms of advice.

Conduct of work

The principles of how we conduct our work are:

- Focussing on what is important to the Council and in the ultimate interests of the public of Milton Keynes
- Striving continuously to foster buy-in and engagement with the audit process
- Ensuring findings and facts reported are accurate and based on evidence
- Ensuring that risks identified in planning are followed through into audit work
- Ensuring that the right skills and right approaches are in place for individual assignments,
- Suggesting actions that are pragmatic and proportionate to risk, tailored for the best result and take into account the culture, constraints and the cost of controls
- Focussing as a rule on ensuring compliance with existing processes and systems and reducing bureaucracy rather than introducing new layers of control
- Being resolute in challenging; taking account of views, escalating issues and holding our position when appropriate
- Driving the audit process by agreeing deadlines, meeting these on our part, and escalating non-response promptly in order to complete our work
- Having high standards of behaviour at all times.

Reporting

The reports produced by the service are its key output. The reporting principles are:

- Providing balanced evidence-based reports which recognise both good practice and areas of weakness
- Reporting in a timely, brief, clear and professional manner
- Ensuring that reports clearly set out assurance opinions on the objectives/risks identified in planning work
- Always seeking management's response to reports so that the final report includes a commitment to action
- Sharing reports with senior management and members, identifying key themes and potential future risks so that our work has impact at the highest levels
- Sharing learning with the wider organisation with a view to encouraging best practice across the Council.

To assist the manager/reader in easily identifying the areas that are well managed and the significance of areas of concern, actions, objectives and overall assurance opinions are categorised.

Actions

Actions are categorised dependent on the risk as follows:

Importance	What this means
Essential	Implementation is required to address a risk that fundamentally undermines the control or objective of that system
Important	Implementation is required to address a risk that seriously undermines the control or objective of that system
Standard	Implementation is required to address a risk that undermines the control or objective of that system

Individual Objective opinions

To easily differentiate between the assurance provided on the different objectives/areas under review and highlight the significance of any issues identified each is separately categorised as follows

Score	What this means with regard to the objective/area
1	There are significant weaknesses and risks to the achievement of the objective
2	Although the objective is likely to be achieved there are issues which need addressing to provide certainty
3	The Objective has been fully achieved

Overall Assurance Opinions

Each piece of audit work informs the overall opinion on risk, management and internal control to a greater or lesser extent. Constructing the overall annual opinion is facilitated by giving each individual piece of work an individual assurance opinion. The opinions of reports issued are reported to Audit Committees on a regular basis as per the table below.

Opinion Level	What this means for the area being reviewed:
Good	There is a sound system of control. Although there may be a small number of minor weaknesses there are no major areas of risk
Satisfactory	The control system is basically sound but there are several minor weaknesses or a significant weakness resulting in moderate levels of risk.
Limited	There are very significant weaknesses in key areas in the system of control; there is a risk of loss, fraud, impropriety, damage to reputation or that objectives won't be achieved.
Weak	The control system is absent or has fundamental weaknesses with major areas of risk.

Follow up

Currently all actions are followed up in accordance with the agreed action implementation dates. Further follow ups are undertaken as required. The Internal Audit Service will review their role in this area with the aim of promoting the action owner to proactively inform Internal Audit when an action has been fully implemented. Such an approach emphasises the need for managers to deliver required improvements without prompting, reinforcing their accountabilities.

QUALITY ASSURANCE

The Head of Internal Audit maintains an appropriate Quality Assurance Framework and reports on this annually.

The framework includes:

- An audit manual documenting methods of working
- Supervision and review arrangements
- Customer feedback arrangements
- Quality Standards
- Annual Internal review
- Periodic external reviews
- Performance measures

The Performance measures include

- Proportion of Plan completed, including spread of areas covered
- Proportion of agreed actions implemented
- Proportion of Weak / Limited Assurance opinion reports that improve to at least satisfactory as at follow up.
- Productive/direct time as a % of total time
- Customer satisfaction levels
- External audit reliance on work of internal audit
- Compliance with Public Sector Internal Audit Standards

The completion of every assignment shall be monitored against:

- end to end time
- days taken to complete
- time between key audit stages e.g. draft issue to final report issue
- customer satisfaction

CLT, the Section 151 Officer, and the Audit Committee receive regular updates on audits completed, the assurance opinions and actions implemented. Weak and limited opinion reports and key actions not implemented are discussed in more detail as appropriate with CLT, the Section 151 Officer and / or the Audit Committee.

Key Commitments

Internal Audit will	<ul style="list-style-type: none"> • Discuss and agree audit plan with CLT, AD's and Audit Committee • Agree timings of individual audits in advance to avoid service pressures where possible and specifically: <ul style="list-style-type: none"> ○ Will agree the date an audit will start ○ Will propose a date and time for the Exit Meeting prior to the audit commencing • Discuss and agree the scope of every audit with the key managers • Hold an Exit Meeting to discuss findings and agree actions • Provide balanced, evidence based reports • Issue draft reports to the relevant officers so that the facts / findings / evidence can be discussed properly • Issue final reports promptly • Agree the timing of Follow up work with the service • Make every effort to minimise disruption to the service
CLT/SLT/HoS will	<ul style="list-style-type: none"> • Help shape the audit programme, giving a view about key risks and new developments • Make themselves and staff available during an audit as necessary • Ensure auditors are provided with all information /documents requested in a timely manner • Ensure the relevant AD or HoS attends exit meetings (as well as relevant service staff) • Ensure that those officers attending an Exit meeting are empowered to agree actions, owners and implementation dates • Respond to draft reports within 5 working days • Ensure agreed action is taken within the timescales
Audit Committee will	<ul style="list-style-type: none"> • Consider Issues apolitically • Consider issues confidentially when appropriate • Consider historic issues with the aim of improving future control and governance • Highlight any significant issues or themes to the HoIA they wish to see included within the plan.

Sample Audit opinions

Opinion Level	What this means for the area being reviewed:
---------------	--

Example A

Strong	In our opinion there is a <i>sound</i> system of internal designed to ensure that the business is able to achieve its objectives controls
Satisfactory	In our opinion <i>isolated</i> areas of control weakness were identified, which whilst not systemic, put some business objectives at risk
Requires Improvement	In our opinion <i>systemic and /or material</i> control weaknesses were identified, such that some business objectives are put at significant risk
Major Remedial Action	In our opinion the control environment was considered <i>inadequate</i> to ensure that the business is able to achieve its objectives.

Example B

Effective	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed	A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Major Improvement Needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Unsatisfactory	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and

Example C

Satisfactory System of Internal Control	Findings indicate that on the whole, controls are satisfactory, although some enhancements may have been recommended.
Adequate System of Internal Control Subject to Reservations	A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions will be at too early a stage to allow a satisfactory audit opinion to be given.
Inadequate System of Internal Control	Findings indicate significant control weaknesses and the need for urgent remedial action. Where corrective action has not yet started, the current remedial action is not, at the time of the audit, sufficient or sufficiently progressing to address the severity of the control weaknesses identified.

Example D

Comprehensive	Comprehensive - We are able to offer comprehensive assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.
Reasonable	Reasonable - We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
Limited	Limited - We are able to offer limited assurance in relation to the areas reviewed and the controls found to be in place. Some key risks were not well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
None	None - We are not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks were not being well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives

Example E

Full Assurance	There is a sound system of control designed to achieve objectives and manage risks to robust level.
Substantial Assurance	There is a basically sound system of control with some minor weaknesses, there is a low level of risk that objectives will not be achieved
Moderate Assurance	The system is basically sound but there are some significant weaknesses; there is a moderate level of risk that objectives will not be achieved.
Limited Assurance	There are very significant weaknesses in key areas in the system of control; there is a high level of risk that objectives will not be achieved.
No Assurance	The control system is absent or has fundamental weaknesses. There is a very high level of risk that objectives will not be achieved.

EXTERNAL AUDIT ANNUAL AUDIT LETTER

Contact: Mick West (Ernst & Young – Audit Director)

1. Purpose

1.1 To submit the Annual Audit Letter for 2012/13 (Annexed) to the Committee.

2. Recommendations

2.1 The Annual Audit Letter for 2012/13 be noted.

3. Issues and Choices

3.1 None

4 Implications

4.1 Policy

None

4.2 Resources and Risk

There are no direct resource implications.

<input checked="" type="checkbox"/>	Capital	<input type="checkbox"/>	Revenue	<input checked="" type="checkbox"/>	Accommodation
<input checked="" type="checkbox"/>	IT	<input checked="" type="checkbox"/>	Medium Term Plan	<input checked="" type="checkbox"/>	Asset Management

4.3 Legal

4.4 Other Implications

<input checked="" type="checkbox"/>	Equalities Diversity	/	<input checked="" type="checkbox"/>	Sustainability	<input checked="" type="checkbox"/>	Human Rights
<input checked="" type="checkbox"/>	E-Government		<input type="checkbox"/>	Stakeholders	<input checked="" type="checkbox"/>	Crime and Disorder

Background Papers: Annual Audit Letter for 2012/13 (Annex)

Milton Keynes Council

Year ended 31 March 2013

Annual Audit Letter

21 October 2013

Ernst & Young LLP



Building a better
working world

The Members
Milton Keynes Council
Civic Offices
1 Saxon Gate East
Central Milton Keynes
MK9 3EJ

21 October 2013

Dear Member

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Milton Keynes Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Milton Keynes Council in the following reports:

2012-13 Audit results report for Milton
Keynes Council

Issued 24 September 2013

The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Milton Keynes Council for their assistance during the course of our work.

Yours faithfully

Mick West
Director
For and behalf of Ernst & Young LLP
Enc

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission.

The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2012-13 audit work has been undertaken in accordance with the Audit Plan we issued in April 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ Forming an opinion on the financial statements
- ▶ Reviewing the Annual Governance Statement
- ▶ Forming a conclusion on the arrangements the Authority has in place to secure economy, efficiency and effectiveness in its use of resources
- ▶ Undertaking any other work specified by the Audit Commission

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Milton Keynes Council for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland).	On 27 September 2013 we issued an unqualified audit opinion in respect of the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 27 September we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Audit Committee) communicating significant findings resulting from our audit.	On 24 September 2013 we issued our report in respect of the Authority.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 4 October 2013.
Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission	No issues to report.

Act.

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	On 8 October 2013 we issued our audit completion certificate.
Issue a report to those charged with governance of the Authority summarising the certification (of grants claims and returns) work that we have undertaken.	On 31 October 2012 we issued to those charged with governance our annual certification report with respect to the 2011-12 financial year.

2. Key findings

2.1 Financial statement audit

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified auditor's report on 27 September 2013.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good.

When we planned our audit of the financial statements we identified one significant risk: the Authority had to prepare group accounts for the first time in 2012-13. We found that:

- ▶ Management had appropriate arrangements in place to compile the group financial statements
- ▶ The Authority made appropriate disclosures for group accounts

Our audit of the financial statements did not identify any significant matters.

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2012-13 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness

We issued an unqualified value for money conclusion on 27 September 2013. Our audit did not identify any significant matters.

During 2012-13 the Authority set up two limited liability partnerships. Our approach focussed on how the Authority had determined that the formation of these partnerships would help it secure financial resilience. We were satisfied the Authority had proper arrangements for setting up the partnerships.

2.3 Whole of Government Accounts

We reported to the National Audit office on 4 October 2013 the results of our work performed in relation to the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts. We did not identify any areas of concern.

2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance. We completed this work and did not identify any areas of concern.

2.5 Certification of grants claims and returns

We issued our Annual Certification Report for 2011-12 to those charged with governance, the Audit Committee, in October 2012. In 2011-12 we checked and certified five claims and returns. We carried out three limited and two full reviews. We found no errors. We could not fully certify one return and issued a qualification letter. The Authority had carried out most of the recommendations from the previous year and improved its arrangements.

We will issue the Annual Certification Report for 2012-13 in January 2014.

3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we have to communicate significant deficiencies to those charged with governance, the Audit Committee. We had no matters to report.

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