

ITEM 7

AUDIT COMMITTEE

29 MARCH 2016

INTERNAL AUDIT PROGRESS UPDATE

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Executive Summary

To provide the Committee with an update of progress against the Annual Audit Plan 2015/16, performance and significant issues highlighted since the last report.

1. Purpose

- 1.1 To provide the Committee with an update of progress against the Annual Audit Plan 2015/16, performance and significant issues highlighted since the last report.

2. Recommendations

- 2.1 To agree the revisions to the Audit Plan
- 2.2 To determine whether the Committee wishes to receive a Management Report from the Road Safety service to its June meeting regarding the Limited Assurance opinion at follow up.

3. Issues

- 3.1 The performance measures below are those that have been agreed and are included within the Internal Audit Service Plan.

- 3.1.1 **Audit Plan Completion** – As at 29 February 2016, 52 audits from the 2015/16 plan have been completed to draft or final stage (58% of the plan). An additional 18 carried forward audits have also been completed (totalling 71 audits completed since 1st April) – Annex A.

Sixteen audits (18% of plan) are currently in progress leaving 18 audits (20% of plan) not started as at 1st March – Annex B. Temporary resources have been engaged in March and will continue through April to ensure full delivery the 2015/16 plan.

Management have requested the deferral / cancellation of 4 audits and sufficient rationale exists to agree these. The detail is outlined at Annex D with:

- 3 Audits (Better Care Fund, ICT Parents & Providers system, Housing Contracts Management) will be deferred into 2016/17 for operational reasons

- 1 Audit deferred until new system (Financial Management) agreed, installed and operational.

In addition 11 specials/investigations have been undertaken also listed at Annex D.

Investigations undertaken by the Corporate Anti-Fraud team are reported separately in the annual report to be submitted to the June meeting.

3.1.2 **Agreed Actions implemented** – Overall 80% of agreed actions have been implemented (74% were implemented for general audits and 90% for schools). There are 44 outstanding actions in total, two of which are classified as essential. See Annex C

3.1.3 **Resource analysis** – 78% of audit time has been spent on chargeable work against a target of 76%.

3.1.4 **Client Satisfaction** - 27 responses have been received on the standard response forms in respect of final reports issued since April 2015. 96% of the responses were positive. We continually strive to obtain feedback from customers.

3.2 Significant Issues including weak/limited audit opinions since last report.

3.2.1 The Road Safety follow up found 7 agreed actions (out of 12 in total) had not been implemented. The audit opinion improved from Weak to Limited Assurance.

3.3 Wider Issues / Lessons Learnt

3.3.1 In accordance with the requests by the Committee, all audit's now highlight any control issues that would benefit from wider dissemination / communication. 1 area highlighted a Wider Issue since the last Committee meeting.

3.3.2 The Internal Audit service is required to certify some adhoc Grants received by MKC. The grants are subject to various conditions and recently certification of Highways grants identified that the central co-ordination of these at application / receipt stage would provide both an improved planning process for certification and better adherence to grant conditions.

3.3.3 A central co-ordination process has been agreed and implemented within the Chief Executive's Office / Corporate Core. Whilst it cannot guarantee the identification of all cases it will provide a central control to ensure Finance, Internal Audit, Legal and relevant services are better able to demonstrate the adherence to grant conditions and their certification.

3.4 Proposed Plan Revisions

3.4.1 It is proposed that 4 audits be cancelled from this year's plan. The rationale for this is provided in Annex D. Where appropriate the audits will be included in next year's plan. See Annex D

3.5 Staffing

3.5.1 A Principal auditor has resigned since the last meeting. The recruitment for the vacancy has commenced. The engagement of temporary resources (as reported above) may be extended using the budget for this post until that position is filled, thus preserving the 16/17 plan targets.

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 risk is assessed as a HIGH likelihood the Plan will be completed to support the informed provision of the Annual Audit Opinion.

4.3 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

None

Background Papers: Annex A - Completed audits
Annex B - Audits in progress, not started
Annex C - Follow ups completed
Annex D – Plan amendments