

**INTERNAL AUDIT 2014/15 ANNUAL REPORT**

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**Purpose:**

To provide a summary of the work completed and assurances to be derived from the work of the Internal Audit Service, including the Annual Opinion of the Head of Internal Audit.

**Background:**

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

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

The Accounts and Audit (Amendment) (England) Regulations 2011 also require councils to conduct a review of the effectiveness of their system of internal audit at least once a year and the findings of the review to be considered by a Committee of the Council.

**1 Recommendation(s)**

- 1.1 Note the Head of Internal Audit's opinion on the Council's control environment
- 1.2 Consider whether the Council's system for internal audit has proved effective during 2014/15

**2 Issues**

- 2.1 The Internal Audit Service produces an Annual Report to support the Annual Governance Statement (AGS) of the Council and to provide the Audit Committee with a summary of the work of the service for the year. The draft AGS is also submitted to this agenda for the Audit Committee.
- 2.2 The HIA opinion is detailed in the attached Annual Audit Report. In summary it is the HIA's opinion that Milton Keynes Council's internal control environment and

systems of internal control provide satisfactory assurance over the exercise of its functions.

- 2.3 Annexed to this Committee report is the detailed report setting out the work of the Internal Audit Service. The Annual Report (sections 2.6 & 3) highlights the Key Issues arising during 2014/15 none of which were considered significant enough for inclusion in the AGS. The majority of actions to improve systems which were considered 'Weak' or 'Limited' on conclusion of the audit have now been implemented. .
- 2.4 Section 4 of the report provides a summary of the findings of the self-assessment review of compliance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). This, along with the other information provided within the annual report, the Annual Governance Statement and the periodic reports should be sufficient to provide the Committee with assurance over the effectiveness of the Council's System of Internal Audit.
- 2.5 The audit measures have generally improved year on year over the past 5 years, The percentage of "actions implemented" improved although "Weak and limited audit reports improved to satisfactory at follow up" declined slightly last year. However it should be recognised that the majority of measures are not totally within the control of Internal Audit.
- 2.6 Plan completion has improved slightly over the period and work had commenced on all audit in the plan by year end; many of which have now been completed. All audits which were cancelled or postponed have been rolled forward into the 2015/16 Audit Plan.
- 2.7 The productivity ratio has remains around 80% (above our 76% target). This is despite lengthy absences following operations for 2 members of staff and the fact that the service has no administrative support. The improvement also reflects the reduction in training within the service.
- 2.8 The annual report also gives detail on the investigative work that has been undertaken.

### 3 Implications

#### 3.1 Policy

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

The report is in accordance with the Internal Audit Strategy and Charter

#### 3.2 Resources and Risk

As contained within the report.

3.3	Y	Capital	Y	Revenue	N	Accommodation
	Y	IT	Y	Medium Term Plan	Y	Asset Management
	Legal -					

The Annual Report and Opinion supports the Annual Governance Statement (required under Regulation 4(2) of the Accounts and Audit Regulations 2011).

The report summarises the findings of the self-assessment against the PSIAS which is the substantial evidence to support the requirements of The Regulations for a formal review of the 'effectiveness of the system of internal audit'.

### 3.4 Other Implications

None

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

Background Papers

Internal Audit Annual Report 2014/15 and accompanying annexes (A-E)