

<b>Key Decision</b>	<b>No</b>
<b>Listed on Forward Plan</b>	<b>Yes</b>
<b>Within Policy</b>	<b>Yes</b>
<b>Policy Document</b>	<b>N/a</b>

**INTERNAL AUDIT ANNUAL REPORT 2008/09**

Contact Officer : **Duncan Wilkinson, Head of Audit & Risk Management**

**1. Purpose**

1.1. To provide the Committee an opportunity to discuss the Annual Internal Audit Report which will support the Council's Financial Statements and Governance Statements in respect of year ending 2008/9.

**2. Recommendations**

2.1. The Committee notes the report.

**3. Issues and Choices**

3.1. The Internal Audit Service produces an Annual Report to support the Governance Statement of the Council and to provide the Audit Committee with a summary of the work of the service for the year.

3.2. The Head of Audit is required to provide a formal opinion on the adequacy of systems of control. For 2008/09 the opinion is shown overleaf:

It is my opinion based upon the audit work completed in the period 1 April 2008 to 31 March 2009, that Milton Keynes Council's internal control environment and systems of internal control provide reasonable assurance over the exercise of its functions.

The shortage of permanent staff at Senior Officer levels throughout the year has undermined the control framework to some extent, however permanent positions have either recently been, or will shortly be filled.

In many areas controls around project management have been compromised, however the introduction of the Portfolio Office is helping address many of the concerns.

In respect of those systems that refer to, or are substantially related to, internal financial control, it is my opinion that the controls operated by management are currently adequate.

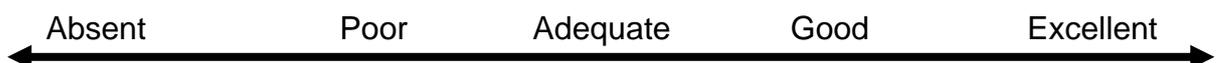
Any system of internal control can only provide reasonable, rather than absolute, assurance that assets are safeguarded, transactions are authorised and properly recorded and material errors or irregularities are either prevented or would be detected within a reasonable period of time.

Duncan Wilkinson

Head of Audit and Risk Management

May 2009

- 3.3. Providing an opinion based upon ALL work examining the adequacy of control systems provides the basis for the opinion that, on the whole, systems of the control within MKC are adequate. To provide some context a sliding scale of opinion is illustrated below :



- 3.4. The Annual Report highlights 8 Key Issues at section 7.2.

3.4.1. Risk Management and Business Continuity

The Authority has been developing its approach to risk management and business continuity for several years and over the last two years has focused on embedding the thinking and culture necessary to support it across the Council. Despite the work to date there was little evidence that risk management and business continuity or the necessary supporting culture, understanding and awareness were embedded. Some areas saw the work as additional to day-to-day service delivery and had no business continuity plans in place.

There was little evidence of plans integrated between the Authority and its partners. Where risk management and business continuity arrangements were in place they have been developed in isolation and had yet to be tested for effectiveness. Opportunities for efficiencies were being missed with the absence of coordination and testing of risk management and business continuity arrangements. A detailed action plan to address the concerns has been drawn up and the Corporate Leadership Team are actively addressing the issues raised.

#### 3.4.2.IT Disaster Recovery

The ability to have in place a robust plan was hampered by the lack of identification of priority systems from the Business Continuity Plan. Despite this, the IT service had identified methods and plans for them to continue to provide a service in the event of a disaster on a large scale, but no testing of these had been carried out despite this being part of the Service Level Agreement. Records of actual failures were being kept but not utilised effectively.

#### 3.4.3.Passenger Transport

The ongoing audits of returns submitted by Bus Operators continue to give concerns with some operators. The standard of record keeping is variable and inconsistent or late returns are received from some operators, making it difficult to verify the income due to the Council. This can also have an impact on future tenders for these routes, as accurate information on income is required in order to generate interest from potential bidders

#### 3.4.4.Community Language Service

Incorrect charging to customers was identified and audit were unable to gain assurance that checks were undertaken to confirm that interpreters /translators are legally entitled to work in the UK.

#### 3.4.5.Windmill Hill Golf Course

Milton Keynes Council did not receive all the income to which it was entitled due to the current systems in place and a lack of robust monitoring on the part of the Council provided no assurance that Milton Keynes are receiving all the income to which they are entitled.

#### 3.4.6.Beanhill Surestart Project

The audit identified a lack of clearly defined roles and responsibilities, inadequate governance arrangements, cost evaluation, budget management and controls over changes/variations.

#### 3.4.7. Corporate Priorities

There was a lack of clarity with the previous priorities as to what achievement would look like. Objectives and targets were often set in isolation from the Priority with little communication between members and officers. Responsibility for actions was often not clear. These issues appear to have been addressed

whilst setting the current priorities and underlying action plans. Last years Annual Audit Plan also highlighted this theme. Audit will review this during the forthcoming year.

#### 3.4.8. Implementation of ICS

A new database was installed to comply with the requirements of Department for Children, Schools and families. Due to tight timescales there was insufficient testing of the system before it went live. Difficulties in Social Workers accessing records could have resulted in risks to children’s safety. A follow up audit in March 2009 found that the issues raised relating to this had been addressed.

- 3.5. Last years Annual Report also highlighted as a Key Issue the deterioration in the relationship between MKC and schools. This was highlighted by increased tension arising from the introduction of the national Financial Management Systems in Schools (FMSIS) scheme. During 2008/9 these tensions had reduced with the FMSIS scheme now more readily understood and applied.
- 3.6. Section 8 of the Annual Report summarises the Special Investigation and consultancy work carried out throughout the year.

### 4. Implications

#### 4.1. Policy

None

#### 4.2. Resources & Risk

As contained within the report

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

#### 4.3. Legal

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

#### 4.4. Other Implications: None

N	Equalities / Diversity	Y	Sustainability	N	Human Rights
N	E-Government	Y	Stakeholders	Y	Crime & Disorder

Background Papers : None