

ITEM 9

AUDIT COMMITTEE

14 January 2014

INTERNAL AUDIT PROGRESS UPDATE

Contact Officer:

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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 To note or comment on the report and agree revisions to the plan.

3. Issues

- 3.1 Performance – 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 23rd December 2013 66 audits from the 2013/14 plan have been completed to draft or final stage (55% of the revised plan). An additional 20 audits carried forward and 16 pieces of unplanned work (including Investigations) have also been completed (totalling 102 audits completed between since 1st April). 25 audits are currently in progress and 32 (25% of plan) have not yet been started. The Service are aiming to complete over 90% of the Plan by the end of April 2014. See Annexes A & B

3.1.2 **Proposed amendments to plan** – It is proposed that a few audits are 'slipped' from the last quarter of the 2013/14 plan to the first quarter of 14/15, mainly due to resource restraints both within service areas and within Internal Audit and ongoing. The audits of the governance of the Service Partnerships will be of more benefit if they are undertaken in the new year when the MKSP service reviews have been completed and the MKDP senior management team is fully in place. See Annex D.

3.1.3 **Agreed Actions implemented** – 87% of agreed actions have been implemented. 81% were implemented for general audits and 96% for schools. Overall this is an improvement since the last update but is still under our target level. Some of the unimplemented actions are in progress and will be followed up again. Only 3 of the outstanding actions are classified as essential. See Annex C

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

3.2.1 **Highways inspections**

Although this audit was completed 12 months ago the final has just been issued alongside the follow up. The opinion at the time of audit was 'limited' but this has now improved to 'satisfactory' with the outstanding actions being progressed.

Additional capital funding has enabled the service to clear a significant backlog of pothole repair work and a data cleansing exercise has resulted in greater integrity of data within the 'Confirm' system.

3.2.2 **Commissioned Children's Centres**

There are 2 commissioned Children's Centres, run by different contractors, with the same contractual terms and conditions applying to both. One contractor pays their own premises costs including utilities in accordance with the contract. The council has paid all these expenses and not recharged the provider for the other setting. This amounts to over £70,000 p.a. This is now being investigated by the service. Internal Audit also identified a £30,000 overpayment which can now be recouped.

3.2.3 **Troubled Families Grant**

This was reported as 'weak' at the previous committee meeting. A follow up has since been completed resulting in a 'limited' opinion and the improvements enabled internal audit to sign off some of the claims. The first tranche of funding received by the Council was with regard to the 364 troubled families that we claimed to be working with. However, there was no record of which families make up this figure. The service is working on producing a list. The Council may also be unaware of other families needing support through the programme.

3.3 Unimplemented essential actions.

Only 3 of the unimplemented actions followed up to date are classified as 'essential'.

3.3.1 **Troubled Families Grant**

The Troubled Families Team were relying on internal MKC data to identify children meeting the education criteria for the grant funding. Information from external sources e.g. Academies and MK College is required to verify progress of children already identified (enabling the claims to be signed) and may also identify further eligible children.

A new Project Manager and Assistant Data Analyst are now in post. The next grant claim is due in January 2014 and the Internal Audit verification process will review progress to refresh and complete the data.

3.3.2 Attendance Management

The audit identified that sickness was not always recorded/reported and that the flexi-time policy was not always complied with. It was envisaged that the proper use of ESS/MSS would rectify these issues and highlighted the need for managers to be held accountable for failure to use the system properly. At the audit follow-up in May 2013 no work had been carried to ensure that the system was used properly. However, the current ESS/MSS audit has confirmed that HR Operations are in the process of identifying, and seeking explanations from, employees and their managers with large debit balances in ESS. Internal Audit will do some further work to determine whether sickness is being properly recorded.

3.3.3 Licensing Premises, People & Vehicles

Inspections are not routinely carried out for new premises and others are not inspected within the timescales required by their risk categorisation. Licensing objectives and Licensing conditions may be contravened. Health and safety risks, anti-social behaviour and illegal practices may not be identified and addressed. Due to current resource limitations inspections are undertaken on a reactive basis only.

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.

<table border="1"><tr><td>x</td></tr></table>	x	Capital	<table border="1"><tr><td>x</td></tr></table>	x	Revenue	<table border="1"><tr><td>x</td></tr></table>	x	Accommodation
x								
x								
x								
<table border="1"><tr><td>x</td></tr></table>	x	IT	<table border="1"><tr><td>x</td></tr></table>	x	Medium Term Plan	<table border="1"><tr><td>x</td></tr></table>	x	Asset Management
x								
x								
x								

4.3.1 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