

INTERNAL AUDIT 2011/12 ANNUAL REPORT

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Purpose:

To provide a summary of the work completed and assurances to be derived from work of the Internal Audit Service.

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). The report and opinion also meets the Internal Audit Best Practice requirements as defined by the relevant professional body (CIPFA).

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.

1 Recommendation(s)

1.1 That the report be noted.

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 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 It may be worth reminding Committee members that the 2008/09 opinion of adequate was a borderline judgement and careful consideration was made regarding whether the systems of control, on the whole, were in fact "Weak". The 2009/10 opinion was clearly adequate, the opinion for 2010/11 was reasonable and for 2010/11 it is satisfactory. This shows a consistent year on year improvement towards good.

- 2.4 Improvements in the Council's overall control environment can also be highlighted by the improvement in audit opinions over the last couple of years. In 2009/10 80% of audits received a good/satisfactory opinion (20% good) and in 2010/11 85% received a good /satisfactory opinion (33% good). This has increased to 88% of audits receiving a good /satisfactory opinion (42% good) in 2011/12.
- 2.5 Annexed to this Committee report is the detailed periodic report setting out the work of the Internal Audit Service. The Annual Report highlights the Key Issues at section 5 arising during 2011/12 which are summarised below.
- Project Management – although there are some excellent areas, the quality of project management and adherence to the MK approach is still inconsistent throughout the Council
 - Contract Monitoring – over reliance on contractor data for monitoring purposes is a common finding.
 - Lack of segregation of duties – in many schools one employee is able to undertake all aspects of the procurement cycle.
 - Music Service – a significant number of assets can not be located as a result of weak stock control.
 - Deeds and Estates – it has not been possible for audit to provide assurance that the Council has records of all of its assets.
 - Debt Recovery – Debt recovery action is inconsistent and not always robust.
 - Members questions, decisions and casework – a lack of clear processes undermine the ability to confirm that these are appropriately addressed.
- 2.6 The audit measures have generally improved year on year over the past 5 years, however there has been a small decline in some measures since last year. The most significant decline is in the productivity ratio which is was only 62% for 2011/12 (73% in 2010/11 and 77% in 2009/10) due to the large volumes of sickness and maternity leave. This does not take into account the high number of vacancies which will also have an impact on other measures.
- 2.7 It is also significant that 90% of the current plan was either completed or in progress at the year end (the remaining 10% had been cancelled), particularly when the staffing issues highlighted in annual report are taken into account.
- 2.8 The annual report also gives detail on the investigation work undertaken.
- 2.9 The work undertaken with Housing Services to identify tenancy fraud, estimated savings of at least £45k, but more importantly take back Council properties to reallocate them to people in genuine need.
- 2.10 There is evidence that the Whistle blowing policy is becoming more widely used, resulting in important outcomes arising from such investigations as the Bridges and Fleet. Publicity of these successful referrals could encourage other employees to report their concerns if they feel they will be listened to and offered protection.

3 Implications

3.1 Policy

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

3.2 Resources and Risk

As contained within the report.

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

3.3 Legal -

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

3.4 Other Implications

None

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