



Milton Keynes
Service
Partnership

INTERNAL AUDIT SERVICE

FOR MILTON KEYNES COUNCIL

LYNDA BAKER, HEAD OF INTERNAL AUDIT

MARCH 2015

www.milton-keynes.gov.uk/internal-audit/

Here is what our customers say about us:

“a personal thank you for your supportive approach to helping us rectify the issues that were raised”

“Very helpful”

“Highly Professional”

“Professional, clear and helpful. We appreciated the process which will help us to further improve”

“We felt that you worked professionally with us to achieve results thank you”

“Highlighted improvements in control. Very Good at keeping me up to date with issues and ideas”

“the audit was very thorough and identified improvement areas accurately”

“Advice that you gave made the process much easier to manage and enabled us to ensure that we were able to comply effectively”

“Huge thanks for your persistence with the process, turning around a potential £40k loss to a £6k income”

“The process was very positive. The auditors approach allowed for open/honest/frank discussion”

“Pro-active, constructive approach helped facilitate an effective, meaningful process”

“Audits of specialist services can always be challenging but auditor was able to pick up on key service issues and understand their significance to the overall auditing process”

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OUR COMMITMENT TO EXCELLENCE

We are committed to providing Milton Keynes Council with the highest quality robust audit service delivering honest evidenced assurance. We work closely with clients throughout all stages of the audit process from planning to reporting ensuring there are 'no surprises'. We are available whenever and wherever we are required offering real value by proactively investigating areas of concern and providing advice on critical issues.

We aim to provide a service that:

Is focused on what is important	Deploying its resources where there is most value. The focus will lean towards the corporate objectives and priorities, the processes to facilitate these and the key risks to their achievement, whilst ensuring sufficient assurance to support the annual governance statement. Being flexible and responsive to the needs of the Council.
Is outward looking and forward focused	Being aware of national and local developments and of their potential impact on the Council's governance, risk management and control arrangements.
Provides assurance	There is value in providing assurance to senior managers and members that the arrangements they put in place are working effectively, and in helping managers to improve the systems and processes for which they are responsible.
Gets the right balance of independent support and challenge	Avoiding a tone which blames, but being resolute in challenging for the wider benefit of the Council and people of Milton Keynes
Has impact	Delivering work which has buy-in and which leads to sustained change
Is welcomed at the top table	Identifying and sharing organisational issues and themes, that are recognised and taken on board. Working constructively with management to support new developments.
Strengthens the governance of the Council	Being ambassadors for and encouraging the Council towards best practice in order to maximise the chances of achieving its objectives, including the provision of consultancy and advice.

DEVELOPING THE ANNUAL AUDIT PLAN

The annual audit plan guides the work of the audit service during the year. The plan is developed in consultation with all senior managers, agreed with the Corporate Management Team and approved by the Audit Committee.

The planning principles are:

- Focusing on the most important issues, risk and core systems
- Applying a risk based approach to determine priorities for audit coverage
- Providing for the delivery of key commitments e.g supporting the External Auditor, delivering governance and anti-fraud responsibilities
- Involving key stakeholders to ensure the plan meets their needs
- Being proactive to the potential impact of changes to the external and internal environment
- Being flexible to enable the plan to evolve through the year in response to emerging risks and issues
- Including provision for responding to management requests for assistance with special investigations, consultancy and other forms of advice
- Enabling an annual opinion on the framework of governance, risk management and control to be provided as required by the Public Sector Inter Audit Standards (PSIAS).

Progress against the Plan is regularly reported to the Corporate Management Team and the Audit Committee, with the Committee approving any significant changes. The regular reports highlight any significant issues identified and progress on implementing of agreed actions.

THE AUDIT PROCESS

As a recipient of our service we want the audit experience to benefit you and your service and the outcome to add value, by providing you with the necessary assurance that your controls are operating effectively and/or identifying scope for improvement. For you to achieve maximum benefit from the audit it is important that you and relevant staff engage with, and give time to, the audit process. We, in turn, will do our utmost to minimise the disruption to your service.

If at any time you during the Audit process you have any concerns or problems please contact the, Head of Internal Audit on 01908 25227 or email Lynda.baker@milton-keynes.gov.uk.

THE COMMENCEMENT / PLANNING MEETINGS

The commencement meetings are the foundation on which the audit is built. Good, strong foundations will go a long way to ensuring that you get the most benefit from the audit.

To ensure that the audit is of the most benefit and targets the right areas we need to understand:

- The 'objective/s' of your service to ensure the right focus of the audit
- The 'process' which enables you to deliver the objective/s
- The 'risks' (what could happen) that may prevent that objective from being achieved
- Your 'controls' (the things you do to prevent things from going wrong) that mitigate the risks
- Any concerns you have

In advance of the audit starting, you will be contacted in advance to arrange a date for the initial commencement meeting to discuss the upcoming work. More than one commencement meeting may be required with different officers to fully address the above areas.

The commencement meeting/s will agree the scope of the audit, the objectives and risks on which to focus. In this way the audit will focus on matters that are important to you and the delivery of your service.

We will ask you to identify key staff within your team who will be best able to help us with information pertaining to the areas under review, and to let them know of the upcoming audit and their involvement in this.

If you are unable to provide us with a documented process we will draw one up from information we are provided with and ask you to confirm our understanding.

We will also agree some key dates with you e.g start on site, exit meeting, so that interruption to your service is kept to a minimum and our resources are used effectively to maximise the benefit to you.

You will receive confirmation of the scope of the audit in the form of a summarised agreed terms of reference.

As assurance providers we have multiple clients who may have different needs. At times you may not personally see the value of parts of our work as it addresses different needs and we may not always be able to do everything that you would consider to be of value. However we do try to get the balance right and do the things that matter to you most.

FIELDWORK

From the agreed terms of reference we will develop an audit programme which will outline a series of tests that we will conduct to form an opinion on whether your controls are designed and operating effectively. The controls may be financial, operational or compliance in nature.

A judgement will be made on whether the controls are: effective; in need of improvement; would benefit from the introduction of additional controls; or perhaps over controlled.

As testing is carried out, we will update you on any significant issues that are identified as they arise. Where more general issues are identified, we may leave discussion on these until the exit meeting.

EXIT MEETING

This is your opportunity to discuss the findings and contribute to the wording of our report.

In advance of the exit meeting we will send you a discussion document of our initial findings and thoughts in a draft report format.

The purpose of the exit meeting is for us to discuss the audit and report with you and any other relevant officers to:

- ensure the findings are factually correct and an accurate reflection of your service
- make adjustments to the report that we consider necessary
- agree actions to mitigate the risks
- identify responsibility for the actions and timescales for implementation
- discuss the overall audit opinion, and if necessary objective scoring and risk categorisation (details of these can be found on page 7).

This is a key part of the audit process and it is important that all relevant officers attend or those that do are empowered to agree the findings, and wording of the report and determine actions and responsibilities.

Where specific amendments are required these will be actioned and signed off.

DRAFT & FINAL REPORTS

The reports are evidence-based recognising both good practice and areas of weakness, clearly setting out assurance opinions on the objectives/risks identified in the commencement meeting and Terms of Reference.

Once we are happy with the content of the report, it will then be formally issued as a draft report to a wider audience. The purpose of the draft report is to provide an opportunity for you and others with an interest in your service to provide comment.

If you do not agree the draft report you will be asked to provide comment on areas of disagreement/factual inaccuracy within a specified timescale, normally 5 working days.

After incorporating any necessary factual changes from the draft report we will issue a final report. As long as no significant changes are required to the draft report we aim to issue this within 2 days of the deadline for responses to the draft report.

All final reports will be publicly available on the Council website. On occasion extracts of a report may be redacted from the public version in accordance with the legislative requirements e.g. Freedom of Information Act, Data Protection Act.

WHAT HAPPENS NEXT

At the time the final report is issued, you will be sent a Client Satisfaction Questionnaire seeking your views on whether the audit delivered what you required and, if not, seeking your views on how Internal Audit can improve our service. We really appreciate the feedback we get as this helps us to improve and develop our service.

A follow up audit will be undertaken to ensure that agreed actions have been completed and provide management and the Audit Committee with assurance that identified control weaknesses have been addressed. This will be at a time appropriate to the action implementation dates, normally 3-6 months after issue of the final report. We ask that as soon as you have implemented an action you provide us with evidence of implementation. Once we have received evidence that all actions have been implemented we will issue the follow up report. If you have not provided evidence of implementation within the agreed timescale we will contact you to arrange a convenient time for the follow up audit to be conducted.

We are required to provide regular updates to the Council's Audit Committee on the progress of audits planned for the year. We provide them with the audit status, the opinion of completed audits and a summary of unimplemented actions by category. A brief overview is provided on significant issues, audits that have received a weak or limited opinion and essential actions that have not been implemented within agreed timescales.

CATEGORISATION OF ACTIONS, OBJECTIVES AND OPINIONS

Actions

Actions are categorised dependent on the risk as follows:

Importance	What this means
Essential	Action is imperative to ensure that the objectives for the area under review are met
Important	Requires actions to avoid exposure to significant risks in achieving objectives for the area
Standard	Action recommended to enhance control or improve operational efficiency

Individual Objective opinions

To easily differentiate between the assurance provided on the different objectives/areas under review and highlight the significance of any issues identified each is separately categorised as follows

Score	What this means with regard to the audit objective/area
1	There are significant weaknesses and risks to the achievement of the objective
2	Although the objective is likely to be achieved there are issues which need addressing to provide sufficient confidence
3	The Objective has been fully achieved

Overall Assurance Opinions

Each piece of audit work informs the overall opinion on risk, management and internal control to a greater or lesser extent. Constructing the overall annual opinion is facilitated by giving each individual piece of work an individual assurance opinion. The overall audit opinions are reported to Audit Committees on a regular basis as per the table below.

Opinion Level	What this means for the area being reviewed:
Good	There is a sound system of control. Although there may be a small number of minor weaknesses there are no major areas of risk
Satisfactory	The control system is basically sound but there are several minor weaknesses or a significant weakness resulting in moderate levels of risk.
Limited	There are very significant weaknesses in key areas in the system of control; there is a risk of loss, fraud, impropriety, damage to reputation or that objectives won't be achieved.
Weak	The control system is absent or has fundamental weaknesses with major areas of risk.

FLEXIBLE SOLUTIONS TO MEET YOUR BUSINESS NEEDS

In addition to our standard assurance work we also offer advice, guidance and training on request for a number of additional services for example customised audits/reviews and governance training.

We are always happy to discuss other ways in which we can help you such as:

- Undertaking value for money reviews – identifying efficiencies, savings and improvements
- Specialist ICT audit reviews, including the safeguarding of data
- Suggesting ways to improve the control environment / service provision and minimise future risks
- Working with you to ensure that new systems, processes, contracts and projects have the necessary controls built into them
- Supporting business reengineering and change management processes
- Investigating suspected financial and non-financial irregularity; highlighting weaknesses in systems/procedures that have allowed this to happen
- Providing Fraud Awareness Training
- Undertaking data matching, data mining and data analysis to provide intelligence to assist your service
- Grant claim verification
- Providing professional advice and support on a wide range of governance, financial, risk and internal control issues

These services may be at an additional charge.

ORGANISATIONAL ARRANGEMENTS

Authority	<ul style="list-style-type: none"> • Maintain an adequate and effective system of internal audit in accordance with the Local Government Act 1972.
Cabinet	<ul style="list-style-type: none"> • Overall responsibility for ensuring that managers operate robust systems of control • Will be advised of significant issues arising from internal audit work
Audit Committee	<ul style="list-style-type: none"> • Responsible for overseeing the effectiveness of the Internal Audit function, and holding the HoIA to account for delivery • Responsible for the effectiveness of the governance, risk and control environment, holding managers to account for delivery • Receive regular progress updates, consider key themes and issues and take forward as necessary • Approve the final Audit Strategy, Charter & Plan
Section 151 officer	<ul style="list-style-type: none"> • Support internal audit arrangements • Receive sufficient assurance to deliver Section151 responsibilities
CMT	<ul style="list-style-type: none"> • Support the internal audit process • Help to shape the programme of assurance work, giving a view about the key risks and objectives to be reviewed • Ensure robust risk management and internal control arrangements • Collectively receive updates on key themes and issues arising from reports • Individually oversee progress actions arising from audit work in discussions with respective management teams • Act as a point of escalation where there are barriers to the effective conduct of the audit process • Seek views from Internal Audit about the management of significant emerging issues and risks • Comment on draft Audit Strategy, Charter and Plan
Heads of Service and Directors	<ul style="list-style-type: none"> • Help to shape the programme of assurance work, giving a view about the key risks and objectives to be reviewed • Be competent in recognising and handling risks using the recognised risk management arrangements in place • Support the audit process by setting the tone for engagement in and acting as a point of escalation for individual pieces of work • Consider and respond to audit reports, agreeing action as necessary in accordance with agreed timescales • Ensure that agreed action is taken • Are responsible and accountable for establishing and using control systems and ensuring that they function • Seek views from Internal Audit about the management of significant emerging issues and risks • Help Internal Audit deliver its work as seamlessly, easily and efficiently as possible

THE INTERNAL AUDIT TEAM

The service is delivered to professional standards by formally qualified and skilled staff.

Our team has expertise in a number of specialised areas including financial management, schools systems, business improvements, risk management, quality & information security, project management, counter fraud activities, information & IT governance and contract management.

If you would like any further information please contact any member of the Audit Team or email Internal.Audit@Milton-keynes.gov.uk



Available in audio, large print,
Braille and other languages

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