

**Meeting:           AUDIT COMMITTEE**

**Agenda Item: 6**

**Date:               28<sup>th</sup> March 2012**

## **Internal Audit – Stevenage Homes Transferred Services – Status**

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### **1. PURPOSE**

- 1.1. To inform the Audit Committee of the internal audit activity up to the end of November 2011 in connection with the services provided by Stevenage Homes Limited and subsequent activity focused on supporting 2011/2012 year-end assurance after the transfer of services back to the Council.

### **2. RECOMMENDATIONS**

- 2.1. The Committee is asked to note the report.

### **3. BACKGROUND**

- 3.1. Stevenage Homes Limited provided housing management services under contract to the Council up to the end of November 2011.
- 3.2. The company benefitted from audit services provided by SIAS (formerly SBC Internal Audit service) where service areas overlapped with SBC processes, such as payroll and creditors, and from PKF (UK) LLP where services were provided within Stevenage Homes Limited.
- 3.3. SIAS is a relatively new organisation and not yet geared up to take on significant additional audit work at relatively short notice. It was considered appropriate therefore to engage PKF to provide internal audit of the transferred services through this financial year.

### **4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS**

- 4.1. The approved Stevenage Homes Internal Audit Plan for 2011/2012 included:

- 4.1.1. Annual Assurance – including a health check of governance and the auditors opinion

- 4.1.2. Financial Processing – SHL aspects including housing rents, payroll, purchasing, debtors, main accounting
- 4.1.3. Leasehold Services – improvements to leasehold services and arrangements for assessing the impact / recovery rate of Section 20 works
- 4.1.4. Customer Services – office efficiencies and improvements with customer contact to identify scope for minimising double handling
- 4.1.5. Single Status – management of SHL's risks in relation to this area
- 4.1.6. Governance – implementation of SHL's governance review
- 4.2. The audits of management of single status and the governance review were completed prior to November 2011 and reported to the Board of the company.
- 4.3. The leasehold services audit had started before the end of November but not completed. The customer services audit had not commenced. Both audits were deferred pending transfer of services to SBC.
- 4.4. The annual assurance and financial processing audits were planned for quarter 4 of 2011/2012.
- 4.5. On 28 November 2011 a Board meeting of Stevenage Homes Limited received a report that reviewed the Audit Action Plan and outstanding recommendations from previous audit reports. A copy of the outstanding recommendations as at 28 November is attached to this report as Appendix 1. There were no high priority or high risk recommendations outstanding.
- 4.6. Attached at Appendix 2 to this report is a report from PKF. This report presents a background to the programme of work proposed to be undertaken by PKF (UK) LLP, progress made in delivering the proposed Internal Audit Plan as at 29 February 2012 and outlines performance management information for the limited assignment that PKF will be undertaking for the Council.
- 4.7. Appendix 2 also includes the new internal audit plan that will be delivered by PKF. This plan will address aspects of the SHL plan that were not completed (like leasehold s20 processes) and address the Council's assurance requirements for housing landlord services. PKF will also follow up outstanding audit report recommendations, noting where changed circumstances may alter the relevance or application of those recommendations.

## **5. IMPLICATIONS**

### **5.1. Financial Implications**

- 5.1.1. This report is financial in nature and consequently financial implications are included in the body of the report.

### **5.2. Legal Implications**

- 5.2.1. None identified at this time.

### **5.3. Risk Implications**

5.3.1. There are no significant risks associated with this report. In the event that significant risks are identified as a consequence of audit work mitigating actions will result as part of the responding management action plan.

## **6. BACKGROUND DOCUMENTS**

- None

## **7. APPENDICES**

- Appendix 1 – Stevenage Homes Limited Outstanding Audit Actions
- Appendix 2 – Internal Audit Progress Report by PKF