PKF

Accountants & business advisers

Stevenage Borough Council
Internal Audit Report and Annual Assurance Statement for the year ended
31 March 2012

Recommendation

Members are recommended to note the PKF (UK) LLP Internal Audit Report and Annual Assurance Statement as at 31 March 2012

1   Background and overall opinion

Background

1.1   On 31 January 2012, we met with the Council's Head of Finance to discuss how best to continue to provide the Council (through the Audit Committee) with the assurance that it requires for 2011/12 in relation to the services previously provided by SHL.

1.2   Specifically the areas that we agreed to cover through our work were:

- Annual assurance statement;
- Housing rents;
- Overtime/ expenses claims;
- Leasehold services; and
- Repairs and maintenance.

1.3   Our programme of work was agreed with management in February 2012 and noted by the Audit Committee in March 2012.

1.4   This report has been compiled to document and communicate an overall opinion to Members based on the review work undertaken by PKF (UK) LLP Internal Audit during 2011/12. The report and assurance statement has been structured to:

- Set out our overall opinion on the areas covered by our review work;

- Summarise PKF (UK) LLP Internal Audit activity for 2011/12; and

- Draw attention to matters of particular concern, especially via individual assurance opinions.

1.5   The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit function is fulfilling its statutory obligations.

Our Overall Opinion

1.6   For the areas covered by our agreed programme of review work undertaken in 2011/12 it is our opinion that we can provide **Moderate** assurance that the systems of internal control that have been in place at Stevenage Borough Council in relation to the services previously provided by SHL for the year ended 31 March 2012 accord with proper practice.

Audit Assurance Opinions

1.7   The audit activity that was completed for the 2011/12 year is listed in Appendix A. It shows the audits and their results in terms of the audit assurance level provided, together with the number of recommendations raised. The levels of assurance achieved on the systems audited by Internal Audit are set out below.

AUDIT AREA	ASSURANCE LEVEL
Financial systems (including housing rents and overtime expenses claims)	Substantial
Leasehold services	Moderate
Repairs and maintenance	Moderate

1.8   Appendix A also has details of the priority we have given to the recommendations arising from each review.

Areas of note

1.9   We have not identified any areas of particular concern through our audit work. However, we have raised a total of 11 recommendations.

1.10   Only 2 of our recommendations were high priority recommendations.

1.11   One of the high priority recommendations related to the need for a full list of all sub-contracted repairs and maintenance works to continue to be produced and challenged on a regular basis. From now on this report should be considered at the monthly meetings of Property Services Management.

1.12   The other high priority recommendation related to the need to clarify the responsibilities of officers within the Home Ownership Services Team and others including the Council's Legal Team and the Income Maximisation Team to ensure that unnecessary delays in collecting arrears do not arise in future.

1.13   The remaining 9 recommendations were medium or low priority.

1.14   We have conducted our audits both in accordance with the mandatory standards and good practice contained within the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006, and additionally from our own internal quality assurance systems.

1.15   This report has been prepared as part of the internal audit of Stevenage Borough Council under the terms of our engagement letter for internal audit services.

1.16 It has been prepared for the Stevenage Borough Council and we neither accept nor assume any responsibility or duty of care to any third party in relation to it. The conclusions and recommendations are based on the results of audit work carried out and are reported in good faith.

1.17 However, our methodology relies upon explanations by managers and sample testing and management should satisfy itself of the validity of any recommendations before acting upon them.

2011/12 PKF (UK) LLP Audit Assurance Opinions – SBC Programmed work

The table below summarises the assurance opinion assigned to each system audited and provides an analysis of the number of recommendations made in each priority category.

AUDIT AREA	ASSURANCE LEVEL					RECOMMENDATIONS			
	F	S	M	L	N	H	M	L	TOTAL
Key financial systems (housing rents and overtime and expense claims)		✓				0	3	0	3
Leasehold services			✓			1	2	1	4
Repairs and maintenance			✓			1	3	0	4
Annual governance statement			✓			0	0	0	0
Total recommendations						**2**	**8**	**1**	**11**

APPENDIX B - ASSURANCE OPINION AND PRIORITY DEFINITIONS

In order to assist management in using our reports we have categorised our **Assurance opinions** according the definitions established by SIAS in the interests of consistency. Our opinions reflect our assessment of the controls in place and the level of compliance with these controls as follows.

Assurance Opinion	Definition
Full	**Evaluation opinion**: there is a sound system of control designed to achieve the system objectives; and **Testing opinion**: the controls are being consistently applied. Full Assurance will be attributed to a system where no recommendations are made or where in the auditor's judgement the recommendations relate to actions that are considered desirable and which should result in enhanced control or better value for money.
Substantial	**Evaluation opinion**: basically a sound system but there are weaknesses which put some of the control objectives at risk, and/or; **Testing opinion**: there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk. Substantial Assurance will be attributed to a system where in the auditor's judgement the recommendations relate to actions that are considered necessary to avoid exposure to significant risks.
Moderate	**Evaluation opinion**: basically a sound system of control but there are some more significant/serious weaknesses which put system objectives at risk, and/or: **Testing opinion**: the level of non-compliance with some controls may put certain system objectives at risk. Moderate Assurance will be attributed to a system where in the auditor's judgement the recommendations relate to actions that are considered necessary to avoid exposure to more significant risks.
Limited	**Evaluation opinion**: weaknesses in the system of controls are such as to put the system objectives at risk, and/or; **Testing opinion**: the level of non-compliance puts the system objectives at risk.

Assurance Opinion	Definition
	Limited Assurance will be attributed to a system where in the auditor's judgement the recommendations relate to actions that are considered imperative to ensure that the Council is not exposed to high risks.
No	**Evaluation opinion**: control is generally weak leaving the system open to significant error or abuse, and/or; **Testing opinion**: significant non-compliance with basic controls leaves the system open to error or abuse. No Assurance will be attributed to a system where in the auditors' judgement they can place no reliance on the controls and procedures in operation either because they do not exist or because they are weak leaving the system open to abuse or error.

Priority Categories

We have also categorised our **recommendations** according to the definitions established by SIAS reflecting their level of priority and the level of risk associated with the weaknesses identified.

High   Recommendations relate to major issues that have a significant impact on achieving service objectives and are to be implemented immediately or within one month where practical.

Medium   Recommendations relate to issues that are expected to impact on achieving service objectives and are to be implemented within two months where practical.

Low   Recommendations relate to issues that have a lesser impact on achieving service objective and are to be implemented within six months where practical.