	Internal Audit Assurance & Consultancy
Ste√enage BOROUGH COUNCIL	**Stevenage Borough Council** **Final Internal Audit Report** **Best Value Performance Indicators Annual** **Report 2008-09**

Executive Summary

To: Performance and Improvement Manager
               Street Scene and Open Spaces Manager

For Information: Head of Finance [Final Only]
               Senior Management Board [Final Only]
               Audit Committee [Final Only]

Date Final Report Issued: 4th March 2009

1.   **Introduction**

      This report details the Internal Audit of the procedures and controls in place over the 2007/08 Best Value Performance Indicators (BVPIs) and has been undertaken in accordance with the 2008/09 Internal Audit Plan. A risk based audit methodology has been applied in undertaking audit testing.

2.   **Findings and Recommendations**

      The detailed findings and recommendations are set out in the detailed report section. A Management Action Plan is attached as Appendix A and is intended to be completed by the officers responsible, as identified on the Plan.

3.   **Conclusions**

      Based on our audit findings, Internal Audit has assigned **Substantial Assurance**[1] to the systems and procedures which underpin the Best Value Performance Indicator process.

      On the basis of the Internal Audit work undertaken, 5 medium priority and 2 low priority recommendations to improve the control environment and to minimise the risks in achieving service objectives have been made. The recommendations relate to the following areas, Data Quality Action Plan, Stevenage Borough Council BVPI Testing and Stevenage Homes BVPI Testing. There are no recommendations arising as a result of our work in the Corporate Arrangements area.

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[1] See Appendix B for Assurance Opinion and Priority Definitions

The detailed findings and recommendations are set out in the detailed report section. A Management Action Plan is attached as Appendix A and has been agreed and completed by the officers responsible, as identified on the Plan.

Detailed Report

Best Value Performance Indicators Annual Report 2008-09

1   Audit Objective

1.1   The audit was designed to establish whether management have implemented adequate and effective controls over Best Value Performance Indicators (BVPIs)*.*

2   Audit Approach and Methodology

2.1   The audit approach was developed with reference to the procedures in the Internal Audit Manual and by an assessment of risks and management controls operating within each area of the scope.

2.2   The following procedures were adopted:
   - completion of a risk assessment to identify the high risk BVPIs for testing.
   - identification of controls in existence to allow the control objectives to be achieved; and
   - evaluation and testing of controls within the system.

2.3   From these procedures where we have identified weaknesses in the system of control, we have produced specific proposals to improve the control environment and have drawn an overall conclusion on the design and operation of the system.

3   Audit Scope

3.1   Audit work was undertaken to cover the following areas:
   - Corporate arrangements
   - Data Quality Action Plan
   - Stevenage Borough Council BVPI Testing
   - Stevenage Homes BVPI Testing

4   Audit Opinion

> Based on our audit findings, Internal Audit have assigned **Substantial Assurance**[1] to the systems and procedures which underpin the Best Value Performance Indicator process.

5   Background

5.1   In October 2007, as part of the Comprehensive Spending Review, the Government announced a new single set of 198 national indicators for

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[1] See Appendix B for Assurance Opinion and Priority Definitions

English local authorities and local authority partnerships. The new indicators were implemented from 1 April 2008 and replaced the Best Value Indicators. Whilst a number of Best Value indicators have been carried forward to the new national set, new indicators have been added and some have been dropped. This Internal Audit report has been written with the new indicator set in mind and future Internal Audit work will focus on the new requirements.

6   Audit Findings

6.1   Our audit findings are reported on an exception basis.

6.2   There are no recommendations arising as a result of our work in the Corporate Arrangements area.

6.3   The areas that require management consideration are detailed below.

6.4   **Data Quality Action Plan**

6.4.1   Progress has been made in implementing the recommendations in the Data Quality Action Plan, however the Plan does not explicitly state whether the recommendations has been fully, partially or not implemented.

6.4.2   It is recommended that the comments column within the Data Quality Action Plan starts with the implementation status of the recommendation. The categories used could be fully, partially or not implemented.

6.5   **Stevenage Borough Council BVPI Testing**

6.5.1   The Internal Audit risk assessment identified the following Stevenage Borough Council BVPIs to test:

        78a – Average time for processing new claims
        78b – Speed of processing change of circumstances
        82a(i) & (ii) – Recycling performance
        82b(i) & (ii) – Composting performance

6.5.2   Internal Audit were unable to provide any assurance for BVPIs 78a or 78b, as the Head of Revenues advised that he could not accommodate the audit, as he had consultants in reviewing the data which is used to compile the subsidy claim form. The Head of Revenues informed Internal Audit that he had agreed with the Audit Commission that they would undertake the testing of these BVPIs when they come on site to carry out the subsidy audit.

6.5.3   For BVPI 82a (i) Percentage of household waste arisings which have been sent by the Authority for recycling, the reported performance in the Annual Report was 16.66%. Internal Audit testing of the indicator

supported a performance of 16.87%. The difference is detrimental to the Council, as the actual performance is better than what was reported. Arithmetic errors were the main cause of the inaccurate reporting of this indicator.

6.5.4 For BVPI 82a (ii) Total tonnage of household waste arisings sent by the Authority for recycling, the reported performance in the Annual Report was 5461 tonnes. Internal Audit testing of the indicator supported a performance of 5545 tonnes. The difference is detrimental to the Council, as the actual performance is better than what was reported. Arithmetic errors were the main cause of the inaccurate reporting of this indicator.

6.5.5 For BVPI 82b (i) The percentage of household waste sent by the Authority for composting or treatment by anaerobic digestion, the reported performance in the Annual Report was 11.42%. Internal Audit testing of the indicator supported a performance of 11.40%. The difference is favourable to the Council, as the actual performance is worse than what was reported. Arithmetic errors were the main cause of the inaccurate reporting of this indicator.

6.5.6 For BVPI 82b (ii) The tonnage of household waste sent by the Authority for composting or treatment by anaerobic digestion, the reported performance in the Annual Report was 3745.68 tonnes, Internal Audit testing of the indicator supported this performance.

6.5.7 Note that BVPI 82 is now National Indicator 192 and the recommendations in this report for BVPI 82 refer to National Indicator 192.

6.5.8 The Data Quality Assurance Checklist was not completed by Officers for any of the above indicators. Management have informed Internal Audit that the Data Quality Assurance Checklist has been drafted for NI192 for the current year (2008-09). A completed version was not a requirement until after the end of the current data year. The checklists were not fully in place for 2007/08.

6.5.9 It is recommended that completed Data Quality Assurance Checklists should be submitted to the Corporate team by a pre-determined date and non submissions be chased up.

6.5.10 It is recommended that there may be potential to improve performance for National Indicator 192 by applying the Audit Commission definition of excluding fly tipping and investigating the inclusion of recycled tyres, wood and metal.

6.5.11 It is recommended that for National Indicator 192 spot checks of prime documents are undertaken this may help to reduce the risk of errors.

6.5.12 It is recommended that for National Indicator 192 a second person should check the arithmetic on the recycling spreadsheet, this may help reduce the risk of errors.

6.5.13 It is recommended that for National Indicator 192, some figures on the recycling spreadsheet are reliant on third party figures (e.g. Herts CC and private recycling companies), there should be a reasonableness check to ensure that these figures are accurate. In particular where the Council are paid for recycling materials.

6.6 **Stevenage Homes BVPI Testing**

6.6.1 The Internal Audit risk assessment identified the following Stevenage Homes BVPIs to test:

BVPI 184 (a) – The percentage of LA dwelling which were non-decent at the start of the financial year.
BVPI 184 (b) – The percentage change in the proportion of non-decent dwellings between the start and the end of the financial year.
BVPI 212 – Average time taken to re-let local authority housing.

6.6.2 The issues identified from the testing of the Stevenage Homes BVPIs have been reported to Stevenage Homes and will not be detailed here.

6.6.3 From 1 January 2009, Stevenage Homes procured an external Internal Audit provider. As a result the Council's Internal Audit team may not be able to provide assurance on Stevenage Homes National Indicator arrangements.

6.6.4 It is recommended a National Indicator annual assurance statement should be obtained from Stevenage Homes on their Corporate Arrangements, Data Quality and System of Internal Control to ensure that accurate and reliable National Indicator data is produced on behalf of the Council.

Acknowledgement

We would like to take this opportunity to thank the management and staff involved in the BVPI Audit for their assistance.

		MANAGEMENT ACTION PLAN [Name of Audit][Year]				
Rec. No.	Para. No.	Recommendation	Priority	Officer Responsible	Management Response	Implementation date
1	6.4.2	It is recommended that the comments column within the Data Quality Action Plan starts with the implementation status of the recommendation. The categories used could be fully, partially or not implemented.	L	Performance and Improvement Manager	Agreed. Data Quality Action Plan going to March's audit committee has been updated to include the implementation status.	March 2009
2	6.5.8	It is recommended that completed Data Quality Assurance Checklists should be submitted to the Corporate team by a pre-determined date and non submissions be chased up.	M	Performance and Improvement Manager	Agreed. Data Quality Checklists drafted for all indicators in the Balanced Scorecard. Checklists will be verified accurate by Heads of Service and collected by Performance and Improvement Team following end of data year.	June 2009
3	6.5.9	It is recommended that there may be potential to improve performance for National Indicator 192 by applying the Audit Commission definition of excluding fly tipping and investigating the inclusion of recycled tyres, wood and metal.	M	Environmental Performance Manager or Head of Service	Agreed.	July 2009
4	6.5.10	It is recommended that for National Indicator 192 spot checks of prime documents are undertaken this may help to reduce the risk of errors.	M	Environmental Performance Manager or Head of Service	Agreed.	July 2009

		MANAGEMENT ACTION PLAN [Name of Audit][Year]				
Rec. No.	Para. No.	Recommendation	Priority	Officer Responsible	Management Response	Implementation date
5	6.5.11	It is recommended that for National Indicator 192 a second person should check the arithmetic on the recycling spreadsheet, this may help reduce the risk of errors.	M	Environmental Performance Manager or Head of Service	Agreed.	July 2009
6	6.5.12	It is recommended that for National Indicator 192, some figures on the recycling spreadsheet are reliant on third party figures (e.g. Herts CC and private recycling companies), there should be a reasonableness check to ensure that these figures are accurate. In particular where the Council are paid for recycling materials.	L	Environmental Performance Manager or Head of Service	Agreed.	July 2009
7	6.6.4	It is recommended a National Indicator annual assurance statement should be obtained from Stevenage Homes on their Corporate Arrangements, Data Quality and System of Internal Control to ensure that accurate and reliable National Indicator data is produced on behalf of the Council.	M	Strategic Housing and Performance Manager/Chief Internal Auditor	Agreed.	May 2009

Assurance Opinion and Priority Definitions

In order to assist management in using our reports we categorise our **Assurance opinions** according to our assessment of the controls in place and the level of compliance with these controls.

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. 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 categorise our **recommendations** according to their level of priority and we consider 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.