

NOTTINGHAM CITY HOMES

REPORT OF DIRECTOR OF FINANCE, ICT AND GOVERNANCE

**AUDIT COMMITTEE
29 SEPTEMBER 2008**

FINAL AUDIT REPORTS

1 SUMMARY

1.1 Attached to this report are 4 internal audit reports submitted by TIAA Ltd:

- Appraisal Review of the Governance Anti Fraud Arrangements
- Review of the Budgetary Control Arrangements
- High Level Review of the Payments, Payroll and Income Arrangements and
- Review of the Allocations and Lettings Arrangements

The first three reports are draft at this stage and the final reports will be despatched to Committee Members as soon as they are received from TIAA, it is not anticipated that these reports will change between draft and final.

1.2 TIAA give an evaluation of the effectiveness of the risk mitigation arrangements for each audit completed. The table below gives the evaluation for each of the reports on this agenda

Report	Evaluation
Appraisal Review of the Governance Anti Fraud Arrangements	Limited Assurance
Review of the Budgetary Control Arrangements	Limited Assurance
High Level Review of the Payments, Payroll and Income Arrangements	Payments -Reasonable Assurance Payroll – Limited Assurance Income – Reasonable Assurance
Review of the Allocations and Lettings Arrangements	Reasonable Assurance

1.3 There are four possible evaluations of the effectiveness of risk mitigation arrangements:

- Substantial Assurance
- Reasonable Assurance
- Limited Assurance and
- No Assurance

And the definitions of each of these are contained within each audit report.

2 RECOMMENDATIONS

It is recommended that members:-

- 2.1 Note the content of the reports; and
- 2.2 Agree the recommendations made by TIAA and commitments made by NCH to address all the required actions.

3 REPORT

- 3.1 Appraisal Review of the Governance Anti Fraud Arrangements – TIAA has reviewed the Governance Anti Fraud Arrangements and the following significant matters were identified which need to be addressed in order to strengthen further the control environment;
 - The draft Anti Fraud policy be completed and approved by the Board
 - A risk register is be produced and approved by the Board
 - There is no Anti Fraud Training and Awareness Policy in place
 - There are no documented Fraud response instructions for managers

- 3.2 Review of Budgetary Control Arrangements - TIAA has reviewed the Budgetary Control Arrangements at Nottingham City Homes. The following significant matter was identified which need to be addressed in order to strengthen the control environment;
 - Virement authorisation forms V001, V010 and V026 have not been signed off as per the Financial Authorisation Matrix as listed in the Financial Regulations

- 3.3 High Level Review of Payments, Payroll & Income Functions – TIAA has reviewed the High Level Review of Payments, Payroll & Income functions the following significant matters were identified which need to be addressed within the procedures in order to strengthen further the control environment;
 - Payroll**
 - BACS transfers for net pay payments are not authorised by NCH staff prior to processing.
 - Personal Data held on the organisation's payroll is not adequately secured as the system can be accessed by Council staff (and vice versa).

 - Income**
 - The Financial Regulations do not make reference to who has overall responsibility for income.

3.4 Review of Allocations and Lettings Arrangements – TIAA have reviewed the Allocations & Lettings Arrangements the following significant matters were identified which need to be addressed in order to strengthen the control environment;

- Several house files did not contain application forms.
- The allocations function is not included within the Company's risk mapping arrangements.
- Registration procedures are not documented.
- There is no training programme for staff involved in allocations be introduced to ensure staff keep abreast of the Company's procedures and any changes in legislation.

3.5 Management responses, together with responsible officers and timescales for implementation, have been agreed with Internal Audit for all the recommendations raised in the attached reports.

4 OTHER OPTIONS

4.1 Not applicable.

5 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

5.1 The consistent application of recognised control procedures will address a number of issues raised by the Audit Commission.

6 VALUE FOR MONEY & EFFICIENCY ISSUES

6.1 Compliance with key controls and procedures is an essential part of delivering efficiency and cost effectiveness.

7 EQUALITY & DIVERSITY IMPLICATIONS

7.1 None.

8 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

8.1 TIAA Ltd reports attached.

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