

NOTTINGHAM CITY HOMES

REPORT OF DIRECTOR OF FINANCE, ICT AND GOVERNANCE

AUDIT COMMITTEE
8 DECEMBER 2008

INTERNAL CONTROL ISSUES AUDIT REGISTER OF OUTSTANDING ACTIONS

1 SUMMARY

- 1.1 Attached to this report is the schedule of recommendations and actions from previous audit reports which are outstanding or that have been completed since the previous Audit Committee (September 2008).

2 RECOMMENDATIONS

- 2.1 It is recommended that Members review the report and provide comment and feedback on the current status of the Audit Register Summary and Audit Register (Appendices A and B respectively).

3 REPORT

- 3.1 An update was provided to members on 29th September showing 76 recommendations. Of these recommendations 28 actions were logged as complete leaving 48 outstanding.

The latest version of the Internal Control Issues Audit Register includes an additional 44 recommendations made in the following Internal Audit reports which were received by the Audit Committee in September:

- Review of Allocations and Lettings Arrangements (7);
- High Level Review Payments, Payroll and Income Arrangements (11);
- Review of Budgetary Control Arrangements (7); and
- Review of Governance Anti-Fraud Arrangements (19).

Of the 92 recommendations included in the Audit Register, at the time of drafting the report, 44 had been fully implemented. Of the 48 recommendations still outstanding 27 have gone beyond their original target dates.

- 3.2 Progress in implementing audit recommendations has slipped since the last the last quarter, mainly due to work associated with preparing for the Audit Commission Inspection taking priority for Managers and other key officers. It is vital that responsible officers take ownership of the implementation of their respective audit recommendations and remain committed to implementing agreed actions in advance of the original agreed target dates. Doing so will be a key performance target for responsible officers in the new year to ensure that significant improvements are made in advance of the next Audit Committee (March).

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 RISK ASSESSMENT

6.1 The Internal Control issues identified by NCH's auditors, which lead to the respective recommendations monitored in the Audit Register, are assigned an order of priority dependent on the risk they pose to NCH's Internal Control Systems and the achievement of its objectives. The priorities assigned by our previous Internal Auditors (up to 31 March 2008) are as follows;

City Audit Services – Previous Internal Auditors

- High – A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.
- Medium – A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.
- Low – The audited body is not exposed to any significant risk, but the recommendation merits attention.

6.2 The priorities assigned to the recommendations raised by our new auditors are now defined as;

TIAA Ltd – Internal Audit

- Urgent – A fundamental control issue on which action should be taken immediately.
- Important – A control issue on which action should be taken at the earliest opportunity.
- Routine – A control issue on which action should be taken.

Grant Thornton UK LLP – External Audit

Not Applicable - Grant Thornton have not assigned an order of priority to the recommendations made in response to the key matters arising from their audit of the 2007/08 financial statements

6.3 Of the 84 Internal Audit recommendations included on the Audit Register 13 were classed as being of a High/Urgent priority, 44 as a Medium/Important priority and the remaining 27 recommendations were prioritised as Routine/Low risk.

6.4 It is important when agreeing Internal Audit recommendations that the nominated Principal Auditee and/or Responsible Officers ensure that the priority levels associated with each recommendation, and included in the final report, accurately reflect the true risk to NCH's system of internal control and the achievement of its business objectives.

7 VALUE FOR MONEY & EFFICIENCY ISSUES

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

8 EQUALITY & DIVERSITY IMPLICATIONS

- 8.1 None.

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

- 9.1 TIAA Ltd Internal Audit reports;
- 9.2 Appendices A & B – Audit Register Summary and Audit Register December 2008; and
- 9.4 Audit Register Report September 2008.

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