

NOTTINGHAM CITY HOMES

**AUDIT COMMITTEE
9 MARCH 2009**

REPORT OF DIRECTOR OF FINANCE, ICT AND GOVERNANCE

FINAL INTERNAL AUDIT REPORTS

1 SUMMARY

1.1 Attached to this report are the following 6 internal audit reports submitted by TIAA Ltd:

- Payments ;
- Risk Management;
- Contract Services – Service Delivery;
- Contract Services – Purchasing Arrangements;
- Governance Review – Half Year Assurance Update; and
- 2007/08 Internal Audit Recommendations – Follow-up Review.

1.2 TIAA give an evaluation of the effectiveness of the risk mitigation arrangements for each audit completed. There are four possible evaluations used in their audit reports, which are defined as follows:

- Substantial Assurance;
- Reasonable Assurance;
- Limited Assurance; and
- No Assurance.

The full definitions of each of the four evaluations are contained within each of the audit reports.

1.3 The table below shows the evaluation made by TIAA in respect of each of the latest internal audit reports:

Report	Evaluation
Payments	Reasonable Assurance
Risk Management	Reasonable Assurance
CS – Service Delivery	Reasonable Assurance
CS – Purchasing Arrangements	Reasonable Assurance
Governance Review	N/A
Follow-up Review	N/A

1.4 Some reports also include recommendations classified as operational effectiveness matters which TIAA state should be considered as part of management review of procedures, rather than on a one by one basis. These recommendations are not prioritised and the NCH is not required to agree a responsible officer or set a timescale for implementation. Hence, they are not included in the Company's audit register.

- 1.5 The Governance and Follow-up reviews do not include a formal evaluation of assurance, however, where requested management actions have been provided by the responsible officers, in response to the audit recommendations raised, which will be monitored in the audit register.

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 the respective Management Comments made by NCH's responsible officers.

3 REPORT

- 3.1 The significant matters arising from the each audit review and the associated recommendations contained within the individual audit reports have been summarised below:

- 3.2 Payments – TIAA have reviewed the payments arrangements and the following significant matters were identified which need be addressed in order to further strengthen the control environment:

- Only a small number of staff in possession of a purchase card had signed the standard Purchasing Card Employee Agreement; and
- Contingency arrangements, in the event that the payments system becomes unavailable, do not cover the office, where BACS authorisation cards are stored, being unavailable.

Of the 7 recommendations raised by TIAA in their audit report, the 2 above were rated as 'Important' priorities and 5 other recommendations were rated as 'Routine'.

- 3.3 Risk Management – TIAA have reviewed the risk mitigating control arrangements and the following key recommendations, designed in order to further strengthen the control environment, were identified:

- The risk registers be amended to include the monitoring processes in place for each risk;
- Responsibility for the overall monitoring of the action plan included in the Risk Management Framework be defined and documented; and
- Risk training be given to all staff in order to embed a risk-focussed culture across the organisation.

Of the 7 recommendations raised by TIAA in their audit report, the 3 above were rated as 'Important' priorities and 4 other recommendations were rated as 'Routine'.

3.4 Contract Services - Service Delivery – TIAA have reviewed the Contract Services service delivery arrangements and the following significant matters were identified which need be addressed in order to further strengthen the control environment:

- It was noted that three weekly timesheets had not been signed by the team leader; and
- A van stock has not been completed and documented for the gas section operatives.

Of the 4 recommendations raised by TIAA in their audit report, the 2 above were rated as 'Important' priorities and 1 other recommendation was rated as 'Routine'. The final recommendation included in the report has been classified as an operational effectiveness matter.

3.5 Contract Services – Purchasing – TIAA have reviewed the Contract Services purchasing arrangements and the following significant matters were identified which need be addressed in order to further strengthen the control environment:

- A review of the access and user rights within the purchase order system (ROCC) is required; and
- An external door to the stores area was observed to have been left ajar during the audit review.

Of the 7 recommendations raised by TIAA in their audit report, the 2 above were rated as 'Important' priorities and 2 other recommendations were rated as 'Routine'. The final 3 recommendations included in the report have been classified as operational effectiveness matters.

3.6 Governance Review – The review took into consideration whether NCH could demonstrate that action has, or will be taken in a timely manner, to address changes which may have an impact on its general Internal Control Systems and assurance that they are operating effectively. The following matters were identified for consideration:

- The emerging risks identified in the report be considered at the next review of the risk register; and
- Housing Corporation publications and Audit Commission positive practice notes are not reviewed on a regular basis to identify any best practice which can be incorporated into Company procedures.

The 2 recommendations raised by TIAA as a direct response to identifying these issues, were classified as 'Routine' priorities in the report.

3.7 Follow-up Review – The review established the management action that had been taken as a result of the high level recommendations arising from the internal audit reports presented to Audit Committee in December 2007 and March 2008 in the prior financial year. These reviews were performed by the Company's previous internal auditors, Nottingham City Council Audit Services.

Of the 33 recommendations reviewed, 21 were identified as having been implemented, 10 as being in the process of being implemented and 1 recommendation was noted as still being outstanding at the time of the report. The final recommendation was classified as 'not applicable' due to system changes meaning there was no longer a requirement for implementation.

- 3.8 Management responses designed to adequately address weaknesses in the related control environments, together with responsible officers and timescales for implementation, have been agreed with Internal Audit for all the recommendations raised in the attached reports. Of the 23 audit report recommendations included in the Management Action Plans 6, had been implemented by the related responsible officers in advance of the respective reports being finalised.

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 (see paragraph 1.1).

CONTACT OFFICERS: Julie Crook,
Director of Finance, ICT and Governance
14 Hounds Gate,
Nottingham,
NG1 7BA
Tel: 0115 915 7378
E-mail: julie.crook@nottinghamcityhomes.org.uk

DATE: 24 February 2009