



NOTTINGHAM CITY HOMES

**AUDIT STRATEGIC PLAN 2008/09 – 2010/11
AND ANNUAL PLAN – 2009/10**

Report issued:	January 2009
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Audit Plan:	2009/10
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The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Business Assurance



Internal Audit Strategic Plan

- EXECUTIVE SUMMARY -

INTRODUCTION

1. This Internal Audit Strategic Plan has been drawn up in accordance with the requirements of the IIA-UK Internal Audit Standards. The plan has been updated following discussions with the Management Team.

INTERNAL AUDIT STRATEGIC PLAN

2. The Internal Audit Strategic Plan provides for a rolling review of Nottingham City Homes systems of internal control. The Strategic Plan assumes that there is no change in the risk assessments or in the operations of Nottingham City Homes during the plan period. It also assumes that no significant control weaknesses will be identified by the internal audit reviews. The Strategic Plan will be reviewed at least annually to take into account any significant events or findings which impact upon the audit risk assessment.

ANNUAL PLANS

3. An Annual Plan will be prepared prior to the start of each financial year. The programme of work within the Annual Plan will be in accordance with that set out in the Internal Audit Strategic Plan, subject to any changes to the audit risk assessment. Any such changes will be identified in the Annual Plan presented to the Audit Committee for approval. An Annual Plan for 2009/10 has been prepared and is set out in Annex A.

RELEASE OF REPORT

4. The table below sets out the history of this report.

Date draft report issued:	14 th January 2009
Date revised draft report issued:	21 st January 2009
Date management responses recd:	21 st January 2009
Date final report issued:	23 rd January 2009
Date revised final report issued:	28 th January 2009



Internal Audit Strategic Plan 2008/09 – 2010/11

System	Days		
	2008/09	2009/10	2010/11
Strategic			
Governance – Strategic Control and Planning	10		
Governance – Conflicts of Interests		10	
Governance – Performance Monitoring			10
Risk Management – Risk Mitigation	8		
Risk Management – Integrating Risk		10	
Risk Management – Risk Register			10
Service Level Agreements		10	10
Anti Fraud Review	7		
Business Continuity Arrangements			10
Equality and Diversity		10	
½ year ICA Report	5	5	5
Finance			
Finance Systems	10	10	10
Payments	15		
Payroll		10	
Budgetary Control	10	10	10
Sundry Income			10
Insurance			10
Rent Collection (including cash)	15	15	15
Asset Management			
Works Procurement		15	
Gas Safety Checks	10	15	5
DLO - Service Delivery	15	15	
DLO - Payroll	15		
Major Repairs		15	
DLO - Materials Purchasing	15		15
Cyclical Works			15
Asbestos Management	10		
Asset Management			10
Housing Management			
Allocations and Lettings	20	10	
Rent Setting			10
Management of Arrears	20		
Management of Voids		20	
Service Charges		10	
Resident Involvement	10		
Supported Housing			20
Anti-Social Behaviour	10		
Carried fwd.	205	190	175



System	Days		
	2008/09	2009/10	2010/11
Brought fwd.	205	190	175
IT			
IT – Management Controls	10		
IT Security – Network Controls		10	
IT Application Upgrades		15	
IT – Support Helpdesk			15
IT – Disaster Planning			10
IT – Procurement			15
Other			
Follow up	10	10	10
Annual Report	5	5	5
Audit plan and strategy	5	5	5
Planning	5	5	5
Reporting	10	10	10
Total days	250	250	250

- DETAILED REPORT -

Scope of the Audit Strategy

5. The scope of the Audit Strategic Plan is limited to those operational activities undertaken by Nottingham City Homes. The internal audit programme of work, outlined in the Internal Audit Strategic Plan, is designed to determine the extent to which the network of risk management, control and governance processes are adequate and operating in the designed manner.

Identification of Internal Control Systems

6. The scope of the control framework of Nottingham City Homes was determined through discussions with the Director of Finance, ICT and Governance , Nottingham City Council Internal Auditors; and a review of:
 - finalised 2008/09 internal audit reports;
 - Company's Risk Management Framework and Related Risk Registers.

Assessing the audit risk attached to each system

7. In order to obtain the best use of the internal audit resource it is necessary to assess the risk to Nottingham City Homes of a failure of the internal controls in each system. The audit risk assessment considers the:

Nottingham City Homes identified major risks – The initial service delivery risk areas identified by Nottingham City Homes include: Day to day repairs, procurement (partnering), allocations and lettings, gas safety and rent arrears.

Internal Control risks – These are risks of failure in the financial and operational control framework associated with the operation of an activity. The risk analysis makes allowance for other assurance procedures put in place by Nottingham City Homes. The highest internal control risk areas identified are included in the Strategic Plan.

Public relations (Reputational) risks - The risk is not just the immediate financial loss that may arise but also the impact of the adverse publicity that may occur from a control failure. In the medium to longer term it is possible that the latter will have a greater adverse impact for Nottingham City Homes than the purely financial aspects.

Determining the period over which all systems will be audited

8. The key financial systems (payroll, payments and income) will be subject to an annual compliance review. These systems will also be subject to full reviews on a rolling basis.
9. A three-year cycle will be used for the reviews of operational systems. A cyclical approach to audit work can be used if a system has been subject to an internal audit review which has indicated that there are effective controls in place, as it is then not necessary to undertake detailed system reviews on that system in each year.
10. Internal audit has traditionally reviewed aspects of an organisation's operations on a rolling basis with reviews being carried out once every three to five years. TIAA considers that with

certain key business critical areas there is a need for a modular approach which enables a review of aspects of these areas to be carried out more frequently. TIAA has adopted a modular approach for:

- Governance and strategic control.
- Risk management.
- Information systems and technology.

Types of Internal Audit Reviews

11. For Nottingham City Homes it is appropriate to have an integrated audit programme consisting of the following types of audit review.
- **Risk Based System Reviews** - Each system review entails identifying the objectives of the operation being reviewed, identifying the risks to the operation and then establishing that controls are in place to minimise the potential risk. The appropriate level of testing is carried out to assess the actual effectiveness of the controls.
 - **Compliance Reviews** - To provide an ongoing assurance that the Company's financial policies and procedures are being followed, the programme of system reviews needs to be supplemented by a programme of compliance reviews. The emphasis of the compliance reviews is on establishing by detailed testing the integrity of the arrangements being operated.
 - **Follow Up Reviews** - These reviews complement the system and compliance reviews by testing the extent of effective implementation of previous internal audit recommendations.
 - **Appraisal Reviews** - These reviews consider whether the arrangements in place accord with good practice but do not extend to detailed compliance checking.

Levels of Testing

12. The levels of testing carried out in each system review have been designed to provide reasonable assurance that the expected controls are operating. In the event that an expected control is absent a higher level of testing will be conducted. The timings shown in the Strategic Plan assume that the expected controls will be in place. Substantive testing will only be carried out with the prior approval of Nottingham City Homes and additional time will be required to carry out such testing.

s151 Assurance

13. Nottingham City Homes is required to provide assurance to Nottingham City Council under section 151 of the Local Government Act 1972 that proper arrangements are put in place for the proper conduct of its financial affairs and for monitoring their adequacy and effectiveness in practice. The plan has been shared with Nottingham City Homes and the External Auditors to ensure that the internal audit annual report can be used demonstrate that Nottingham City Homes financial affairs are properly governed. To assist with this process the internal audit section will review the annual plan, finalised internal audit reports and the implementation of recommendations.



Timings

14. The times allocated to the individual reviews in the Internal Audit Strategic Plan include preparation and issue of terms of reference, production and review of working papers and reports.

Reporting

15. A separate report will be prepared for each reviews carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA.
16. An Annual Report will be prepared for each year in accordance with the requirements set out in the requirements of the CIPFA Code of Practice for Internal Audit in Local Government. The Annual Report provides:
 - (a) restatement of terms of reference and standards;
 - (b) other areas of work during the year;
 - (c) main findings arising from internal audit work, together with a status report on key control weaknesses identified; and
 - (d) include an opinion on the overall adequacy and effectiveness of the organisation's control environment;
 - (e) disclose any qualifications to that opinion, together with the reasons for the qualification;
 - (f) present a summary of the audit work from which the opinion is derived, including reliance placed on work from other assurance bodies;
 - (g) compare the work actually undertaken with the work that was planned;
 - (h) comment on compliance with the CIPFA Standards and the results of the internal audit quality assurance programme.

Responsibility

17. It is the responsibility of the Audit Committee of Nottingham City Homes to determine that the number of audit days to be provided and the planned audit coverage is sufficient to meet the requirements of Nottingham City Homes.

**ANNUAL PLAN 2009/10**

Quarter	Audit	Type	Days	Scope
1	Equality and Diversity	Appr	10	The review considers the arrangements which the organisation has put into place arrangements which demonstrate that the organisation operates fairly and equally in its operations. The scope of the review does not include providing assurance that the equal opportunities covers all the activities of the organisation or that the arrangements identified by the organisation are operating continuously and effectively.
1	Payroll	Assr	10	The review considers the creation, amendment and deletion of payroll records; payment of allowances and pay awards; and payment of salaries. The scope of the review does not include determination of salary scales, appointment and removal of staff, severance payments or reimbursement of travel and subsistence expenses, or pension arrangements.
1	Major Repairs	Assr	15	The review considers the arrangements for the identification, programming and monitoring of works required to bring the organisation's properties up to the authorised standards. The scope of the review does not include consideration of the adequacy of the individual property condition surveys carried out or the appropriateness of the estimated costs for the remedial works.
1	Management of Voids	Appr	20	The review considers the identification of need, scheduling the work, monitoring, and authorising payments. The scope of the review does not include tendering arrangements, funding arrangements, gas safety controls, major refurbishment projects, payment methods, health & safety arrangements or the specification of the works
1	IT Security Network Controls	ICT	10	The review considers the arrangements for the physical and access security of hardware and software. The scope of the review does not include consideration of the merits of the types of hardware and software used, the access rights to the individual software; or the depreciation policies.
2	Risk Management – Integrating Risk	Risk	10	The review considers the arrangements to integrate risk management into business planning and the internal controls assurance framework. The scope of the review does not include providing assurance that all the business significant risks have been correctly prioritised.



Quarter	Audit	Type	Days	Scope
2	Finance Systems	Assr	10	The review considers the arrangements for the income, payroll and payments arrangements operated by the organisation. The scope of the review does not include detailed compliance testing.
2	Budgetary Control	Assr	10	The review considers the budget preparation process, the monitoring arrangements, and reporting to committee. The scope of the review does not include consideration of the assumptions used in preparing the budgets; depreciation policies; apportionment of central costs; or financial information included in tenders prepared by the organisation.
2	Rent Collection	Assr	15	The review considers the arrangements for the collection of rents including Housing Benefits. The scope of the review does not include the collection of service charges or the management and recovery of arrears
2	Works Procurement	Assr	15	The review considers the identification of contracts that need to be tendered, the sourcing, vetting and approving of contractors; the issue and receipt of tenders and the selection and award of the contracts. The review also considers the approach taken by the organisation in respect of partnering contracts. The scope of the review does not include verification of the need for the goods or services, the appropriateness of the forms of contract used or the performance of the contractors.
3	Service Level Agreements	Assr	10	The review considers the arrangements for monitoring the delivery of services provided by the Council. The review will include obtaining annual assurance certificates from Nottingham City Council. The scope does not include consideration of the appropriateness or cost effectiveness of the services provided by the Council.
3	DLO Service Delivery	Assr	15	The review considers the receipt of requests for work, the allocation of works instructions, monitoring of standard and timeliness of work and advising the client that works have been carried out. The scope of the review does not include tendering arrangements, or the actual receipt of payment for the works carried out.
3	Allocations and Lettings	Comp	10	The review considers identification of any significant changes to the system and assess the implications of these changes on the effectiveness of the control



Quarter	Audit	Type	Days	Scope
				framework. The review concentrates on testing to assess whether the controls are operating continuously and effectively. The review does not consider identification of system controls other than where there have been significant operational changes since the previous system review.
3	IT Application Upgrades	ICT	15	Scope to be agreed prior to commencement of audit.
4	Gas Safety Checks	Comp	15	The review considers the actions taken by the organisation to monitor compliance with the statutory obligations in relation to gas safety checks. The scope of the review does not include: consideration of action taken in regard to individual properties; the adequacy of the gas safety inspection; or the appropriateness of additional remedial works carried out.
4	Governance – Conflicts of Interest	Assr	10	The review considers the governance related registers that need to be reviewed by the Audit Committee and/or the Board. The review includes consideration of: conflicts of interest; how the registers are maintained and updated; reported to committee; and how declarations of interest are actioned at meetings. The scope of the review does not include consideration of the completeness of the information contained in the registers.
4	Service Charges	Assr	10	The review considers the arrangements for: calculating the service charges for properties managed by the organisation; the collection of service charges and recovery of arrears. The review also considers the arrangements for monitoring that the service charge fully recovers the costs for which it is levied. The scope of the review does not include the calculation and collection of rents or consideration as to whether planned maintenance works which are being recovered through the service charge were necessary.
4	Follow Up	FU	10	The review ascertains whether management action has been taken to address the Priority 1 & 2 recommendations arising from selected internal audit work carried out at the Organisation during the previous financial year. The follow-up will include all reports issued in the previous financial year.
	Half Year ICA Report	-	5	



Quarter	Audit	Type	Days	Scope
	Annual Report	-	5	
	Annual Plan and Strategy	-	5	
	Audit Management	-	15	
		total days	250	

KEY

Quarter	Period
1	April to June 2009
2	July to Sept 2009
3	Oct to Dec. 2009
4	Jan to Mar. 2010

TYPES OF REVIEW

Assurance (Assur) - consideration of the risks to the effective control of a system and then establishing that controls are in place to minimise the potential risk. The appropriate level of testing is carried out to assess the actual effectiveness of the controls.

Compliance (Comp) - consideration of whether the organisation's procedures previously identified by an assurance review are being followed. The emphasis of the compliance reviews is on establishing by detailed testing the integrity of the arrangements being operated.

Appraisal (Appr) – consideration of the extent to which the arrangements in place accord with regulations, good practice; statutory and other guidance, but do not extend to detailed compliance checking.

Governance (Gov) – consideration of the strategic and corporate control arrangements.

Risk Management (Risk) - consideration of the risk management arrangements.

ICT - consideration of the controls within the organisations computer services.



Regularity (Reg) - consideration of the effectiveness of the key controls which provide assurance that the local arrangements at schemes are operated in accordance with the organisation's requirements

Follow Up (FU) - testing the extent of effective implementation of previous internal audit recommendations.