

NOTTINGHAM CITY HOMES

AUDIT COMMITTEE
9 MARCH 2009

REPORT OF THE DIRECTOR OF FINANCE, ICT & GOVERNANCE

PROPOSED AUDIT PLAN 2009/2010

1 SUMMARY

- 1.1 A draft Internal Audit Plan for 2009/10 has been prepared by TIAA, NCH's Internal Auditors and this is attached to this report. Appendix 2 shows the performance to date against the audit plan for the current financial year.

2 RECOMMENDATIONS

It is recommended that Committee:

- 2.1 Approve the 2009/10 audit plan; and
- 2.2 Note the progress to date on the audit plan for 2008/09.

3 REPORT

- 3.1 The 2006 CIPFA Code of Practice for Internal Audit defines Internal Audit as "an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources." In summary, Internal Audit is an independent, objective assurance and consulting activity designed to promote the highest levels of financial management and probity across the organisation.
- 3.2 The CIPFA Code sets out the professional standards for Internal Audit functions within local authorities and other relevant bodies. In order to satisfy the requirements of the Code, the Audit Plan should be formally presented to the Audit Committee. This is also in accordance with the Service Level Agreement (SLA) in place for the provision of the service.
- 3.3 The remit of the Internal Audit Service requires unrestricted coverage of the organisation's and its partner's activities and unrestricted access to all records and assets deemed necessary to fulfil this function. In addition, the Head of Audit Services must have unrestricted access to the Chief Executive, Board Members, Directors and all employees of the organisation.

- 3.4 Internal Audit is an integral part of the organisation's framework of Corporate Governance and gives assurance complementing that given by external review agencies. The level of assurance given is dependant on the extent of the audit coverage undertaken. Management is responsible for the strategic and operational elements of the Governance process but needs independent assurance that it is operating effectively, and advice in respect of its improvement.
- 3.5 The work of Internal Audit is targeted in order to address the key risks to the organisation's strategic objectives and other priorities and provide objective assurance on the effectiveness of the governance, risk management and internal control processes.
- 3.6 The Audit Plan is provided on a tendered fee basis.
- 3.7 Members of the Internal Audit staff are required to adhere to the code of ethics, standards and guidelines of their relevant professional Institutes and the relevant professional auditing standards. The section has internal quality procedures in place and has been ISO9002 accredited since January 2000. It has adopted the principles contained in the CIPFA Code of Practice 2006 and has fulfilled the requirements of the Account and Audit Regulations 2003 (Amended 2006) and associated regulations in respect of the provision of an Internal Audit Service.
- 3.9 The 2008/09 Proposed Internal Audit Plan has been drawn up on a risk assessment basis. The Plan will be finalised in conjunction with the organisations nominated officer, after the views of this Committee have been received.

4 OTHER OPTIONS

- 4.1 The Proposed Internal Audit Plan is designed to provide assurance in respect of the perceived risks to the organisation's objectives. The number of days in the Proposed Plan is indicative and would vary dependant on the scope of the work required by the organisation. A higher or lower level of resources may affect the degree of assurance to be taken from the work. The Audit Committee must be comfortable that the planned internal audit coverage provides them with the required level of assurance.

5 FINANCIAL & RISK IMPLICATIONS

- 5.1 The audit fee for 2009/10 is based on the fee for 2008/09 (£69,580) plus an increase for inflation which has not yet been notified by TIAA. The plan is based on 250 days of audit work. Sufficient budgetary provision is available to pay for the Internal Audit Service.

6 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

- 6.1 The Internal Audit Service is focussed on the control mechanisms put in place by the organisation's management to ensure it meets its objectives. By reporting on these mechanisms and making recommendations on their improvement, the organisation is able to gain

assurance that its objectives are being met.

7 VALUE FOR MONEY & EFFICIENCY ISSUES

- 7.1 The internal audit service was tendered during 2007/08 and TIAA were awarded the contract, there will be in the region of £20,000 of savings over the three year contract.
- The everyday remit of Internal Audit is to identify control weaknesses and help the organisation to meet its objectives in the most efficient and effective manner. Ad-hoc investigations and VFM studies can be commissioned, geared to address VFM and Efficiency Issues.

8 EQUALITY & DIVERSITY IMPLICATIONS

- 8.1 None

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

- 9.1 CIPFA Code of Practice for Internal Audit Local Government in the UK 2006.
- 9.2 The Accounts and Audit Regulations 2003 (England) (Amended 2006).

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