



NOTTINGHAM CITY HOMES

FOLLOW UP REVIEW

Report issued:	May 2009
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Audit Plan:	2008/09
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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

Follow Up Review

- EXECUTIVE SUMMARY -

INTRODUCTION

1. This follow up review by TIAA established the management action that has been taken in respect of the priority 1 and 2 recommendations arising from the internal audit reviews listed below at Nottingham City Homes. The review was carried out in March 2009.

Review	Year	Date presented to the Audit Committee
Follow Up review of audits completed in 2007/08	2007/08	March 2009
Anti Fraud	2008/09	September 2008
Tenant Participation	2008/09	July 2008
Rent Collection and Arrears	2008/09	July 2008
Anti Social Behaviour	2008/09	July 2008
Allocations and Lettings	2008/09	September 2008
Finance Systems	2008/09	September 2008
Budgetary Control	2008/09	September 2008
Gas Safety Checks	2008/09	December 2008
Rent Collection	2008/09	December 2008

KEY FINDINGS

2. The follow up review considered whether the management action taken addresses the control issues that gave rise to the recommendations. The implementation of these recommendations can only provide reasonable and not absolute assurance against misstatement or loss. From the work carried out the following evaluations of the progress of the management actions (figure 1 below) taken to date have been identified.

Figure 1- Summary of the action taken on Recommendations made

Evaluation	Number of Recommendations
Implemented	46
In process of being implemented	20
Not applicable	2
Not implemented	1

3. The key issue identified is that additions to be made to the Tenancy Estate Management Risk Register to include risks specific to Anti Social Behaviour have not been made.

SCOPE AND LIMITATIONS OF THE REVIEW

4. To establish the extent to which management has taken the necessary actions to address the control issues that gave rise to the internal audit recommendations.
5. The review considered the progress made in implementing the recommendations made in the previous internal audit reports.
6. The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.
7. For the purposes of this review reliance was placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

RELEASE OF REPORT

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

Date draft report issued:	24th March 2009
Date revised draft report issued:	25th March 2009
Date management responses recd:	7 th May 2009
Date final report issued:	8 th May 2009

- DETAILED REPORT -

FOLLOW UP

9. Management representations were obtained on the action taken to address the recommendations. Only limited testing has been carried out to confirm these management representations. The following matters were identified in considering the recommendations that have not been implemented, or are still in the process of being implemented:

10. System – Follow Up	<p>From the review of the documentation and checks carried out the assessment is:</p> <ul style="list-style-type: none"> • implemented 2 • in process of being implemented 7 • no longer applicable 1 • not implemented -
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10.1	Recommendation
A data sharing agreement covering the operation of Homelink should be put in place and signed up to by all the partners.	
Action taken	
In the process of being implemented.	
Audit Observation:	
Work is progressing on the data sharing protocols with the City Council. A revised date of May 2009 has been set.	

10.2	Recommendation
The Audit Committee should receive risk management awareness training.	
Action taken	
In the process of being implemented.	
Audit Observation:	
To be undertaken at the next board away day in May 2009.	

10.3	Recommendation
NCH should produce a medium to long-term strategy, in conjunction Nottingham City Council, to ensure that the risks associated with service delivery and data privacy are addressed.	
Action taken	
No longer applicable.	

Audit Observation:
Service delivery and security issues cannot be addressed until the OneWorld system is either updated (schedule for 20010/11) or replaced. Proposed to be removed from the audit register.

10.4	Recommendation
In the short-term the NCH should liase with City Council in order that a Data Sharing agreement can be drawn up.	
Action taken In the process of being implemented.	
Audit Observation: To be incorporated into Application Hosting SLAs for shared applications. Revised completion date is March 2009.	

10.5	Recommendation
The Housing Registration & Allocations Manager should liase with the City Council to ensure that any priority they request for applicants is within the Policy with regard to manual offers of a property to an owner occupiers whose property is to be purchased as part of regeneration schemes.	
Action taken In the process of being implemented.	
Audit Observation: The revised policy is to be submitted to NCC's Executive Board in May 2009 for approval.	

10.6	Recommendation
City Councillors should be given the opportunity to consider whether and what priority should be given to owner occupiers selling their property as part of a regeneration scheme, and amend the Allocations Policy if necessary.	
Action taken In the process of being implemented.	
Audit Observation: See 10.5	

10.7	Recommendation
The Housing Registration & Allocations Manager should ensure that Central Allocations Officers are trained in the policy.	
Action taken In the process of being implemented.	

Audit Observation:
This will be trained in once the new policy has been agreed.

10.8	Recommendation
NCH should introduce a document imaging system to ensure adequate security of documentary evidence.	
Action taken	
In the process of being implemented.	
Audit Observation:	
The IT strategy is now complete. A Document Imaging Solution will be considered as part of the CBL Re-implementation project to commence in first quarter of 2009/10 financial year.	

11.	System – Anti Fraud	<p>From the review of the documentation and checks carried out the assessment is:</p> <ul style="list-style-type: none"> • implemented 3 • in process of being implemented 7 • no longer applicable - • not implemented -
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11.1	Recommendation
Financial Regulations be amended to explicitly cover the matters identified as key risk areas.	
Action taken	
In the process of being implemented.	
Audit Observation:	
All proposed amendments to the Financial Regulations have been recorded on a register and will be considered at the next review in May 2009.	

11.2	Recommendation
The Financial Regulations be amended to refer to the Company ensuring that a procedure for whistle blowing is on place and operating effectively.	
Action taken	
In the process of being implemented.	
Audit Observation:	
All proposed amendments to the Financial Regulations have been recorded on a register and will be considered at the next review in May 2009.	

11.3	Recommendation
<p>The Whistle Blowing policy be amended to include reference to: -</p> <ul style="list-style-type: none"> • Staff having access to confidential advice from an independent body, • Providing for a confidential hot-line for persons to use to report concerns • Contacting a person who is independent of the Company 	
<p>Action taken</p> <p>In the process of being implemented.</p>	
<p>Audit Observation:</p> <p>The Whistleblowing policy is under review.</p>	

11.4	Recommendation
<p>The Disciplinary policy be amended to make reference to: -</p> <ul style="list-style-type: none"> • Actions that will be taken when a member of staff is suspended (e.g. return all keys, return property held off site, not to enter premises or talk to staff other than the designated person), • That the contents of desk and files (manual and computer) may be searched subsequent to the person being suspended, • That any breach of the terms of suspension will be treated as a serious act of misconduct, • Action that may be taken to members of staff who are related to a person who is suspended, • Action that may be taken in the event of the person who is subject to disciplinary action being on sick leave. 	
<p>Action taken</p> <p>In the process of being implemented.</p>	
<p>Audit Observation:</p> <p>The Disciplinary policy is under review.</p>	

11.5	Recommendation
<p>An Anti Fraud Training and Awareness Policy be produced.</p>	
<p>Action taken</p> <p>In the process of being implemented.</p>	
<p>Audit Observation:</p> <p>To be covered at the next Board away day in May 2009 and training is scheduled to be delivered to Company Managers at the next Company Managers meeting in May 2009 to be disseminated to their staff teams.</p>	

11.6	Recommendation
<p>An Access to Records Policy be produced which explicitly explains to staff that the Company reserves the right to monitor all e-mails and computer records that have been created on the Company's computer systems.</p>	
<p>Action taken</p> <p>In the process of being implemented.</p>	
<p>Audit Observation:</p> <p>To be completed by April 2009.</p>	

11.7	Recommendation
<p>The Chair of the Audit Committee has not been provided with advice on their role regarding: -</p> <ul style="list-style-type: none"> • The audit committee has an important role in overseeing the reporting and investigation of suspected or actual fraud or impropriety. • To ensure that all significant losses have been properly investigated and that the Internal and External Auditors are notified. 	
<p>Action taken</p> <p>In the process of being implemented.</p>	
<p>Audit Observation:</p> <p>To take place at the next Board away day in May 2009.</p>	

12.	System – Tenant Participation	<p>From the review of the documentation and checks carried out the assessment is:</p> <ul style="list-style-type: none"> • implemented 1 • in process of being implemented - • no longer applicable - • not implemented -
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12.1 There are no outstanding recommendations from this review.

13.	System – Rent Arrears	<p>From the review of the documentation and checks carried out the assessment is:</p> <ul style="list-style-type: none"> • implemented 11 • in process of being implemented - • no longer applicable - • not implemented -
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13.1 There are no outstanding recommendations from this review.

14.	System – Anti Social Behaviour	<p>From the review of the documentation and checks carried out the assessment is:</p> <ul style="list-style-type: none"> • implemented 6 • in process of being implemented - • no longer applicable - • not implemented 1
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14.1	Recommendation	<p>ASB be considered within the Company’s risk mapping process and to include:</p> <ul style="list-style-type: none"> • Loss of rental income where ASB causes properties to become difficult to let • Increased repair and service costs due to abuse and vandalism. • Long-term reduction in asset value through a build up of difficult to let properties. • Increased insurance costs. • High legal, mediation, victim support costs. • Increased costs for residents on repairs, damage to personal property and increased insurance costs. • Compensation claims. • Adverse reaction from individual residents and corporate customers/ partners. • Adverse publicity in local, national and specialist media. • Impact on physical and mental well being of residents. • Physical risk and stress to staff and contractors working in the area. • Staff time and other resources spent on combating ASB rather than other activities.
		<p>Action taken Not implemented.</p>
		<p>Audit Observation: These risks are not included in the most recent Tenancy Estate Management risk register held by the Head of Finance.</p>

15.	System – Allocations and Lettings	<p>From the review of the documentation and checks carried out the assessment is:</p> <ul style="list-style-type: none"> • implemented 5 • in process of being implemented - • no longer applicable - • not implemented -
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15.1 There are no outstanding recommendations from this review.

16.	System – Finance Systems	<p>From the review of the documentation and checks carried out the assessment is:</p> <ul style="list-style-type: none"> • implemented 1 • in process of being implemented 5 • no longer applicable - • not implemented -
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16.1	Recommendation
The operation of the inter-company account be reviewed to establish confidentiality of NCH payroll data.	
Action taken	
In the process of being implemented.	
Audit Observation:	
Proposed to remove from the audit register as forms part of the City Council's IT strategy.	

16.2	Recommendation
Delegated powers of employees in relation to the payroll function set out in Financial Regulations or other document approved by the Board.	
Action taken	
In the process of being implemented.	
Audit Observation:	
All proposed amendments to the Financial Regulations have been recorded on a register and will be considered at the next review in May 2009.	

16.3	Recommendation
Documented procedures be amended.	
Action taken In the process of being implemented.	
Audit Observation: All proposed amendments to the Financial Regulations have been recorded on a register and will be considered at the next review in May 2009.	

16.4	Recommendation
Documented authorities in relation to income be prepared.	
Action taken In the process of being implemented.	
Audit Observation: All proposed amendments to the Financial Regulations have been recorded on a register and will be considered at the next review in May 2009.	

16.5	Recommendation
The Financial Regulations be amended to make reference to who has overall responsibility for income.	
Action taken In the process of being implemented.	
Audit Observation: All proposed amendments to the Financial Regulations have been recorded on a register and will be considered at the next review in May 2009.	

17.	System – Budgetary Control	<p>From the review of the documentation and checks carried out the assessment is:</p> <ul style="list-style-type: none"> • implemented 4 • in process of being implemented 1 • no longer applicable 1 • not implemented -
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17.1	Recommendation
<p>The Financial Regulations and Delegated Authorities be amended to make reference to: -</p> <p>The Director of Finance, ICT and Governance must ensure that detailed budgets are prepared to support the resource allocation process and that these are communicated to heads of department as soon as possible following their approval by the Board, during the year the Director of Finance, ICT and Governance is responsible for submitting revised budgets to the Board for approval.</p>	
<p>Action taken</p> <p>In the process of being implemented.</p>	
<p>Audit Observation:</p> <p>All proposed amendments to the Financial Regulations have been recorded on a register and will be considered at the next review in May 2009.</p>	

17.2	Recommendation
<p>A budgetary control strategy, which is cross-referenced to the business plan and risk strategy be adopted.</p>	
<p>Action taken</p> <p>Recommendation rejected.</p>	
<p>Audit Observation:</p> <p>Management response was that there are sufficient controls within financial regulations and the budget holders' handbook for this document not to be necessary.</p>	

18.	System – Gas Safety Checks	<p>From the review of the documentation and checks carried out the assessment is:</p> <ul style="list-style-type: none"> • implemented 3 • in process of being implemented - • no longer applicable - • not implemented -
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18.1 There are no outstanding recommendations from this review.

19.	System – Rent Collection	<p>From the review of the documentation and checks carried out the assessment is:</p> <ul style="list-style-type: none"> • implemented 10 • in process of being implemented - • no longer applicable - • not implemented -
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19.1 There are no outstanding recommendations from this review.

	Recommendations:	Priority
20.1	The project for the arrangement of data sharing protocols be completed.	2
20.2	Risk management awareness training be provided to the Audit Committee at the next company away day.	2
20.3	The allocations policy amendment be approved by the City Council	2
20.4	The Central Allocations Officers be trained in the new policy once it has been agreed.	2
20.5	A Document Imaging Solution be considered as part of the CBL re-implementation project.	2
20.6	All proposed amendments to the Financial Regulations be considered at the next review in May 2009.	2
20.7	The Whistle Blowing policy be amended and approved.	2
20.8	The Disciplinary policy be reviewed, amended and approved.	2
20.9	An Anti Fraud Training and Awareness Policy be produced.	2
20.10	An Access to Records Policy be produced.	2
20.11	The Chair of the Audit Committee be provided with advice on their role.	2
20.12	Specific items relating to ASB be included within the Company's risk register.	2
