

NOTTINGHAM CITY HOMES

REPORT OF DIRECTOR OF FINANCE, ICT AND GOVERNANCE

**AUDIT COMMITTEE
20 JULY 2009**

FINAL INTERNAL AUDIT REPORTS

1 SUMMARY

1.1 Attached to this report are the following 4 internal audit reports submitted by TIAA Ltd:

- Appraisal Review of Asbestos Arrangements;
- Review of IT Security – Management Control Arrangements;
- Review of the Service Charge Arrangements; and
- 2008/09 Internal Audit Recommendations – Follow-up Review.

1.2 TIAA have also undertaken a risk review of the Company's cash collection arrangements. This report will be presented separately at the end of the meeting as a confidential item.

1.3 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.

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

Report	Evaluation
Asbestos Arrangements	Reasonable Assurance
IT Security	Limited Assurance
Service Charge Arrangements	Limited Assurance
Follow-up Review	N/A

1.5 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 rated or given a priority by TIAA and therefore 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.

- 1.6 The Follow-up review does not include a formal evaluation of assurance, but instead reports on management's progress in implementing past audit report recommendations.

2 RECOMMENDATIONS

It is recommended that members:-

- 2.1 Note the content of the reports; and
- 2.2 Agree the adequacy and appropriateness of the management comments and actions agreed by NCH's responsible officers in response to the audit recommendations.

3 REPORT

- 3.1 The significant matters arising from each audit, as highlighted at the beginning of each audit report, have been summarised below:

- 3.2 Asbestos Arrangements – TIAA have reviewed the Company's asbestos management arrangements and the following significant matter was identified which needs to be addressed in order to further strengthen the control environment:

- The Asbestos Policy, although referred to in the procedures manual, does not make clear reference to who is the designated duty holder.

Of the 4 recommendations raised by TIAA in their audit report, the 1 quoted above is rated as an 'Important' priority and the 3 other recommendations are rated as 'Routine'.

- 3.3 IT Security – TIAA have reviewed the adequacy of the Company's IT security management controls and the following key recommendations, designed in order to further strengthen the control environment, were identified:

- The VFM review of the existing City Council IT Service Level Agreement and subsequent establishment of a revised SLA are yet to be completed;
- The existing City Council SLA is not comprehensive enough to provide sufficient assurance that all systems and data, that are the responsibility of the City Council, are fully supported and recoverable in disaster scenarios; and
- NCH does not have written assurances from the City Council that all the Company's systems are fully recoverable in the event of a disaster and the prioritisation of systems recovery has not been formally agreed.

Of the 7 recommendations raised by TIAA in their audit report, the 3 above are rated as 'Urgent' priorities, 1 is rated as 'Important' and the remaining 3 recommendations are rated as 'Routine'.

3.4 Service Charge Arrangements – TIAA have reviewed the service charge arrangements and the following significant matter was identified which needs to be addressed in order to further strengthen the control environment:

- Six leasehold properties were identified as being sold, but were not included on the leasehold database and subsequently had not been charged any service charges for 2007/08.

Of the 4 recommendations raised by TIAA in their audit report, the 1 above is rated as an 'Urgent' priority, 2 are rated as 'Important' and the 1 remaining recommendation is rated as 'Routine'.

3.5 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 July, September and December 2008.

Of the 69 recommendations reviewed, 46 were identified as having been implemented, 20 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 2 recommendations were classified as 'not applicable' due to system changes meaning there was no longer a requirement for implementation.

3.6 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 aforementioned reports.

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

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