

## NOTTINGHAM CITY HOMES

### REPORT OF DIRECTOR OF FINANCE, ICT AND GOVERNANCE

AUDIT COMMITTEE  
20 JULY 2009

### INTERNAL CONTROL ISSUES AUDIT REGISTER OF OUTSTANDING ACTIONS

#### 1 SUMMARY

- 1.1 Attached to this report is the schedule of recommendations and actions from previous audit reports which are outstanding or that have been completed since the previous Audit Committee (March 2009).

#### 2 RECOMMENDATIONS

- 2.1 It is recommended that Members review the report and provide comment and feedback on the current status of the Audit Register Summary and Audit Register (Appendices A and B respectively).
- 2.2 It is recommended that Members approved that Items 7 and 26a) be removed from the Audit Register for the reasons explained in the 'Current Status' sections of the aforementioned document.

#### 3 REPORT

- 3.1 An update was provided to members on 9<sup>th</sup> March showing 68 recommendations. Of these recommendations 32 actions were logged as complete leaving 36 outstanding.

The latest version of the Internal Control Issues Audit Register includes an additional 23 recommendations made in the following Internal Audit reports which were received by the Audit Committee in December:

- Governance – Half Year ICA Update Report (2);
- Risk Management Review (7);
- Review of Payment Arrangements (7);
- Review of Contract Services – Purchasing Arrangements (4); &
- Review of Contract Services – Delivery Arrangements (3).

Of the 59 recommendations included in the Audit Register, at the time of drafting the report, 26 had been fully implemented. Of the 33 recommendations still outstanding 30 have gone beyond their original target dates.

- 3.2 Progress in implementing newly raised audit recommendations has been excellent with 17 of the 23 recommendations raised in the 5 audit reports presented at the March Audit Committee, now fully implemented.
- 3.3 However, of the 33 recommendations still outstanding 23 have now exceeded their original target dates by more than 6 months and 6 recommendations were raised in reports provided by City Audit Services

who are no longer the Company's Internal Auditors (ceased on 31 March 2008). It is vital that the responsible officers take ownership of the actions required to ensure these audit recommendations are fully implemented at the earliest opportunity and hence removed from the Audit Register.

#### **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 RISK ASSESSMENT**

6.1 The Internal Control issues identified by NCH's auditors, which lead to the respective recommendations monitored in the Audit Register, are assigned an order of priority dependent on the risk they pose to NCH's Internal Control Systems and the achievement of its objectives. The priorities assigned by our previous Internal Auditors (up to 31 March 2008) are as follows;

##### City Audit Services – Previous Internal Auditors

- High – A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.
- Medium – A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.
- Low – The audited body is not exposed to any significant risk, but the recommendation merits attention.

6.2 The priorities assigned to the recommendations raised by our new auditors are now defined as;

##### TIAA Ltd – Internal Audit

- Urgent – A fundamental control issue on which action should be taken immediately.
- Important – A control issue on which action should be taken at the earliest opportunity.
- Routine – A control issue on which action should be taken.

##### Grant Thornton UK LLP – External Audit

Not Applicable - Grant Thornton have not assigned an order of priority to the recommendations made in response to the key matters arising from their audit of the 2007/08 financial statements

6.3 Of the 52 Internal Audit recommendations included on the Audit Register 8 were classed as being of a High/Urgent priority, 18 as a Medium/Important priority and the remaining 26 recommendations were prioritised as Routine/Low risk.

6.4 It is important when agreeing Internal Audit recommendations that the

nominated Principal Auditee and/or Responsible Officers ensure that the priority levels associated with each recommendation, and included in the final report, accurately reflect the true risk to NCH's system of internal control and the achievement of its business objectives.

## **7 VALUE FOR MONEY & EFFICIENCY ISSUES**

- 7.1 Compliance with key controls and procedures is an essential part of delivering efficiency and cost effectiveness.

## **8 EQUALITY & DIVERSITY IMPLICATIONS**

- 8.1 None.

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

- 9.1 TIAA Ltd Internal Audit reports (see paragraph 3.1);
- 9.2 Appendices A & B – Audit Register Summary and Audit Register July 2009; and
- 9.4 Audit Register Report March 2009.

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