

NOTTINGHAM CITY HOMES

REPORT OF DIRECTOR OF FINANCE, ICT AND GOVERNANCE

**AUDIT COMMITTEE
7 SEPTEMBER 2009**

FINAL INTERNAL AUDIT REPORTS

1 SUMMARY

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

- High Level Review of Payments, Payroll and Income;
- Review of the Payroll Arrangements;
- Review of IT Security – Network Controls Arrangements; and
- Review of Rent Setting and Collection Arrangements.

1.2 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.

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

Report	Evaluation
Payments	Substantial Assurance
Payroll	Reasonable Assurance
Income	Substantial Assurance
Payroll Arrangements	Limited Assurance
IT Security – Network Controls	Limited Assurance
Rent Setting and Collection	Limited Assurance

1.4 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.

1.5 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 the Committee:-

- 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 Payments, Income and Payroll Arrangements – TIAA have reviewed the Company's high level controls and identified no recommendations or actions which they deem are required of management in order to significantly strengthen the respective control environments. The sole recommendation raised by TIAA in their audit report is rated as a 'Routine' priority.
- 3.3 Payroll Arrangements – TIAA have reviewed the payroll arrangements and the following significant matter was identified which needs to be addressed in order to further strengthen the control environment:
 - Analysis of the user access rights to the Payroll system showed that there are seven employees who have left the Company and one employee who is on secondment from the Human Resources Department to the Windows Project Team who still has active payroll user ID's set up.

Of the 10 recommendations raised by TIAA in their audit report, the 1 above is rated as an 'Urgent' priority, 3 are rated as 'Important' and the 6 remaining recommendations are rated as 'Routine'.

- 3.4 IT Security – TIAA have reviewed the adequacy of the Company's IT Network controls and the following key recommendations, designed in order to further strengthen the control environment, were identified:
 - NCH be required to develop its own set of Security and Acceptable Use policies which reflect the needs and processes of NCH;
 - The IT Support team be required to review its documentation to ensure that all key processes and procedures, including exact details of the partial administrator access rights granted to staff, are documented, version controlled and dated;
 - All Managers be required to carry out a review of staff system access requirements and require all staff to sign to confirm that they have read and understand the relevant IT Security Policies; and

- NCH completes its Business Continuity Plan and negotiates appropriate timescales with NCC for the restoration of services.

Of the 10 recommendations raised by TIAA in their audit report 7 are rated as 'Important' priorities and the remaining 3 recommendations are rated as 'Routine'.

3.5 Rent Setting and Collection – TIAA have reviewed the adequacy of the Company's IT Network controls and the following important matters were identified which need to be addressed in order to further strengthen the control environment:

- The cash system (Radius), the nominal ledger (OneWorld) and the rent collection system (Northgate) have not been reconciled since 27th October 2008;
- Revised cash handling procedures issued to the Company's area housing offices have not been trained in all cases and have been inconsistently followed; and
- Rent account credit balances are not routinely reviewed.

Of the 6 recommendations raised by TIAA in their audit report 4 are rated as 'Important' priorities and the remaining 2 recommendations are rated as 'Routine'.

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).

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