

NOTTINGHAM CITY HOMES

REPORT OF DIRECTOR OF FINANCE, ICT AND GOVERNANCE

AUDIT COMMITTEE
7 SEPTEMBER 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 (July 2009).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Committee 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).

3 REPORT

- 3.1 The Audit Register was provided to members on 20th July and included a total of 59 recommendations. Of these recommendations 26 actions were logged as complete leaving 33 outstanding.

The latest version of the Internal Control Issues Audit Register includes an additional 18 recommendations made in the following Internal Audit and External Audit reports which were received by the Audit Committee in July:

- Review of Service Charge Arrangements (4);
- Review of Asbestos Arrangements (4);
- Review of IT Security – Management Control Arrangements (7);
- Grant Thornton – Key Issues Memorandum (3).

- 3.2 At the July Committee a confidential Cash Collection audit report was presented containing 28 recommendations. Actions proposed to address all the recommendations in this report have now been implemented and cash office audit reviews are being performed to monitor the adherence to required procedures and controls. The Committee will receive further updates on the progress made in improving the control environment surrounding cash collection at Area Housing Offices in due course.

- 3.3 Of the 51 recommendations included in the Audit Register, at the time of drafting the report, 10 had been fully implemented. Of the 41 recommendations still outstanding 33 have gone beyond their original target dates.

- 3.4 Progress in implementing newly raised audit recommendations has

reasonable with 7 of the 18 recommendations raised in the 3 internal audit reports and the annual external audit report, presented at the July Audit Committee, now fully implemented.

- 3.5 However, of the 41 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 and 2008/09 financial statements

- 6.3 Of the 36 outstanding Internal Audit recommendations included on the Audit Register 10 are classed as being of a High/Urgent priority, 9 as a Medium/Important priority and the remaining 17 recommendations have been prioritised by internal audit 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 Grant Thornton 2008/09 External Audit Key Issues Memorandum;
- 9.3 Appendices A & B – Audit Register Summary and Audit Register September 2009; and
- 9.4 Audit Register Report July 2009.

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DATE: 28 August 2009