

## NOTTINGHAM CITY HOMES

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

**FINANCE & AUDIT COMMITTEE  
9 NOVEMBER 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 (September 2009).

#### **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Finance & Audit committee review the report and provide comment and feedback on the current status of items on the Internal Control Issues Audit Register (Appendix B) and confirm they are satisfied with the progress made by management in implementing agreed actions.

#### **3 REPORT**

- 3.1 To ensure that management actions agreed within final audit reports are implemented within agreed timescales progress updates are obtained from responsible officers on a quarterly basis and documented, alongside the related recommendations, on the Company's Internal Control Issues Audit Register (see Appendix B).
- 3.2 Historically the implementation of management actions, agreed in response to audit recommendations, have been monitored by the Company's Audit Committee. Following Governance reorganisation it has been agreed that the new Housing Management and Property Services Committees shall now be responsible for reviewing and monitoring the implementation of agreed recommendations, in relation to their respective Directorate audit reports.
- 3.3 The Finance and Audit Committee will continue to oversee the timely implementation of all agreed management actions as included in the Company wide Audit Register in order to fulfil its responsibility to advise the Board on the effectiveness and adequacy of the Company's internal control arrangements. However, Members should primarily focus their attention on monitoring and challenging the progress made by Support Service responsible officers in implementing their agreed actions. To enable Members to do this the Audit Register has been colour coded as follows:

<b>SUPPORT SERVICE RECOMMNDATIONS</b>
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<b>HOUSING RECOMMENDATIONS</b>
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<b>PROPERTY SERVICES RECOMMENDATIONS</b>
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<b>COMPLETED RECOMMENDATIONS</b>
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- 3.4 The Audit Register was provided to Members of the Audit Committee on 8<sup>th</sup> September and included a total of 51 recommendations. Of these recommendations 10 actions were logged as complete leaving 41 outstanding. The latest version of the Audit Register includes an additional 27 recommendations made in the following Internal Audit reports which were received by the Audit Committee in September:
- High Level Review of Payments, Payroll and Income Arrangements(1);
  - Review of Payroll Arrangements (10);
  - Review of Rent Setting and Collection Arrangements (6);
  - Review of IT Security – Network Control Arrangements (10).
- 3.2 Progress in implementing newly raised audit recommendations has been reasonable with 13 of the 27 recommendations raised in the 4 internal audit reports presented at the September Audit Committee, now fully implemented.
- 3.3 Overall, progress made by responsible officers has been poor and, at the time of drafting this report, out of the total of 68 recommendations included in the Audit Register only 17 had been fully implemented. Of the 51 recommendations still outstanding 38 have gone beyond their original target dates with 8 having exceeded that date by more than 1 year and an additional 12 recommendations exceeding their original target date by over 6 months.
- 3.4 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. Doing so should be a key performance target for responsible officers going forward to ensure that significant improvements are made in advance of the next Finance and Audit Committee (February 2010).

#### **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 Company's financial statements

6.3 Of the 47 outstanding Internal Audit recommendations included on the Audit Register 10 are classed as being of a High/Urgent priority, 16 as a Medium/Important priority and the remaining 21 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 Appendices A & B – Internal Control Issues Audit Register Summary and Audit Register November 2009.

9.3 Audit Register Report September 2009.

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