

NOTTINGHAM CITY HOMES

FINANCE & AUDIT
COMMITTEE
9 AUGUST 2010

REPORT OF HEAD OF FINANCE (COMPANY)

FINAL INTERNAL AUDIT REPORTS AND AUDIT PLAN

1 SUMMARY

- 1.1 The Company has a duty to uphold principles of good Governance which, as per the Company's Standing Orders, includes ensuring that effective systems of delegation, audit and control are maintained. The Board also has a statutory responsibility for ensuring adequate systems of internal control are in place and operating effectively within the Company.
- 1.2 To enable the Board to achieve its statutory obligations, the Company appoints internal auditors to provide a rolling programme of audit reviews to assess its key financial and non-financial systems and related procedures as part of an agreed Internal Audit Strategic Plan. The work of internal audit forms a key part of the Company's internal control framework and the all audit reports produced are reviewed and monitored the Finance and Audit Committee.
- 1.3 Since the previous Finance and Audit Committee in May 2010, 2 audit reports have been issued in relation to audit reviews timetabled within the 2009/10 Annual Audit Plan and 2 from the 2010/11 plan. Within those reports the internal auditors provided an assessment, in relation to the adequacy of internal control, of 'reasonable' assurance for 3 of the audited areas, but only 'limited' assurance in relation to the remaining 1.

2 RECOMMENDATIONS

It is recommended that members:-

- 2.1 Note the content of the reports, notably the levels of controls assurance provided; and
- 2.2 Agree the adequacy and appropriateness of the management comments and actions agreed by responsible officers in response to the audit recommendations.

3 REPORT

- 3.1 Attached to this report are the following internal audit reports produced by the Company's internal auditors, TIAA Ltd:
- Review of the Purchase Card Arrangements;
 - Review of the Void Management Arrangements;

- Review of the Rent Collection Arrangements;
- Review of the Equality and Diversity Arrangements.

3.2 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.

3.3 The following table shows the level of assurance provided by TIAA in relation to the adequacy of the respective control cycles for each of the latest internal audit reports:

Report	Evaluation
Purchase Cards	Limited Assurance
Void Management	Reasonable Assurance
Rent Collection	Reasonable Assurance
Equality and Diversity	Reasonable Assurance

The main finding highlighted in these reports are summarised in more detail in the paragraphs below:

3.4 Purchase Cards – TIAA have reviewed the adequacy of the Company's control arrangements and the following significant matter was identified which needs to be addressed by management in order to further strengthen the control environment:

- There are some inappropriate categories which are not blocked on a number of purchase cards.

Of the 14 recommendations raised by TIAA in their audit report the one above was rated as an 'Urgent' priority, 8 have been rated as 'Important' priorities, 4 as 'Routine' and the remaining 1 recommendation is rated as 'Operational'.

3.5 Voids Management – TIAA have reviewed the adequacy of the Company's control arrangements and identified no recommendations or actions which they deem are required of management in order to fundamentally strengthen the respective control environment. Of the 5 recommendations raised by TIAA in their audit report 3 have been rated as 'Routine' priorities and the remaining 2 recommendations are rated as 'Operational'.

3.6 Rent Collection – TIAA have reviewed the adequacy of the Company's control arrangements and identified no recommendations or actions which they deem are required of management in order to fundamentally

strengthen the respective control environment. Of the 6 recommendations raised by TIAA in their audit report 2 have been rated as 'Important' priorities, 3 as 'Routine' and the remaining 1 recommendation is rated as 'Operational'.

- 3.7 Equality and Diversity – TIAA have reviewed the Company's controls and identified no recommendations or actions which they deem are required of management in order to fundamentally strengthen the respective control environment. Of the 4 recommendations raised by TIAA in their audit report 3 has been rated as 'Routine' priorities and the 1 remaining recommendation is rated as 'Operational'.
- 3.8 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.
- 3.9 Some audit reports include recommendations classified as 'operational effectiveness matters' which TIAA state should be considered as part of the management review of procedures rather than on a one by one basis. These recommendations are not rated or given a priority by TIAA and NCH is not required to agree a responsible officer or set a timescale for implementation. Therefore these recommendations are not included on the Company's Audit Register.
- 3.10 The following reports have been issued by TIAA Ltd and will be reported to members once the contents of the reports have been agreed the and Management Action Plans completed by the responsible officers:

Audit Report	Date Draft Report Issued	Draft Level of Assurance
Cash in Transit *	February 2009	N/A
Nottingham On Call	July 2010	TBC

* - Investigation review performed outside the scope of the Audit Plan for which a confidential report was produced.

- 3.11 All audit field work in relation to the 2009/10 audit plan has now been completed and the 2009/10 Annual Internal Audit Report has been presented to Members as a separate Committee agenda item.

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 Not applicable.

7 EQUALITY & DIVERSITY IMPLICATIONS

7.1 None.

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

8.1 TIAA Ltd audit reports (see paragraph 3.1) – Appendixes 1 to 4.

8.3 Company Standing Orders.

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