

## NOTTINGHAM CITY HOMES

**PROPERTY SERVICES COMMITTEE**  
**REPORT OF DIRECTOR OF PROPERTY SERVICES**  
**16 NOVEMBER 2009**

### **INTERNAL CONTROL ISSUES AUDIT REGISTER OF OUTSTANDING ACTIONS**

#### **1 SUMMARY**

1.1 Attached to this report is the following Property Services audit report submitted by the Company's appointed internal auditors TIAA Ltd:

- Review of the Major Repairs Arrangements.

1.2 A schedule of outstanding audit recommendations, and the related agreed management responses to those recommendations, from previous Property Services internal audit reports are attached to this report in Appendix B.

#### **2 RECOMMENDATIONS**

It is recommended that the Committee:-

2.1 Note the contents of the attached audit report(s) and agree the adequacy and appropriateness of the management comments and actions agreed in response to the audit recommendations; and

2.2 Review the Property Services Audit Register (see Appendixes A and B) and confirm they are satisfied with both the current status of and progress with the implementation of agreed actions by management.

#### **3 REPORT**

3.1 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 adequacy systems of internal control are in place and operating effectively within the Company.

3.2 Internal Control refers to the systems devised by management with the intention of achieving the objectives of the Company in a manner that promotes, facilitates and demonstrates the economic, efficient and effective use of resources whilst ensuring that the assets and interests of the Company are safeguarded.

3.3 To enable the Board to achieve its statutory obligations in relation to overseeing internal control, 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 Internal

Audit Strategic Plan. The work of internal audit and the reports produced in relation to each audit review are a key part of the Company's framework for monitoring its overall system of internal control.

- 3.4 Following a tender of internal audit services in 2007 the contract for the provision of the Company's internal audit function was awarded to TIAA Limited. Prior to the tender NCH's audit services were provided by Nottingham City Council's in-house internal audit function up until the end of the 2007/08 financial year.
- 3.5 Historically all internal audit reports and the associated 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 all audit reports, and the implementation of agreed recommendations, in relation to their respective Directorates.
- 3.6 The newly formed Finance and Audit Committee will continue to receive audit reports and oversee a Company wide register of audit recommendations and outstanding management actions in order to:
- Monitor progress with the annual Internal Audit Plan and Audit Strategy; and
  - Fulfil its responsibility to advise the Board on the effectiveness and adequacy of the Company's internal control arrangements.
- 3.7 Following each internal audit review performed by TIAA an audit report is produced which includes an evaluation, based on the audit findings, of the overall adequacy and effectiveness of the associated internal controls. There are four possible evaluations 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 audit report. The table below shows the evaluation made by TIAA in respect of the latest internal audit report:

<b>Report</b>	<b>Evaluation</b>
Major Repairs	Reasonable Assurance

- 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 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. To enable members to concentrate on monitoring actions agreed by management within their sphere of responsibility, all recommendations raised within Property Services audit reports which were previously outstanding have been compiled within a separate Property Services audit register – see Appendix B.

- 3.10 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 audit registers.

#### **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 internal auditors TIAA Ltd, which lead to the respective recommendations raised in their audit reports, are assigned an order of priority dependent on the risk they pose to NCH’s Internal Control Systems and the achievement of the Company’s objectives. These priorities are defined as follows;

- Urgent (1) – A fundamental control issue on which action should be taken immediately.
- Important (2) – A control issue on which action should be taken at the earliest opportunity.
- Routine (3) – A control issue on which action should be taken.

- 6.2 In respect of the attached Major Repairs audit report the 2 recommendations raised within the main body of that report are classed as being ‘Important (1)’ priorities.

- 6.3 Of the 2 outstanding internal audit recommendations included on the Audit Register (see Appendix A and B) one is classed as an ‘Important (2)’ priority and the remaining recommendation has been prioritised by internal audit as ‘Routine (3)’. At the time of drafting this report both recommendations remain outstanding and one has now exceeded its original target date for implementation.

- 6.4 It is important when agreeing internal audit recommendations that the nominated Principal Auditee and 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 1.1).

9.2 Appendices A & B – Property Services Internal Control Issues Audit Register Summary and Audit Register November 2009.

9.3 Company Internal Control Issues Audit Register.

9.4 Company Standing Orders.

9.5 Internal Audit Annual Plan and Audit Strategy.

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**DATE:** 28 October 2009