



Nottingham City Homes

Follow up

April 2013

Draft Report

Assurance Level: Substantially meets expectations

Audit Sponsor - Darren Phillips

Staff Interviewed - Darren Phillips, Ann Lynch, Robert Allen, Vincent Bryce and Ian Rabett

Audit Team - Hamid Ghafoor, Nicola Higginbottom, Christian Price, Ruth Gibbons and Bethan Hughes

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1 Introduction

- 1.1 Our work was performed as part of our internal audit plan for 2012/13, which was agreed with Management and the Audit Committee.
- 1.2 The purpose of our review was to assess the adequacy and effectiveness of the internal controls over follow up arrangements currently in place at Nottingham City Homes.
- 1.3 In particular, our review considered the following potential risks:
- Appropriate action may not be taken against identified control weaknesses and the Organisation may therefore be exposed to unmitigated risk.
- 1.4 The work was carried out primarily by holding discussions with relevant staff, reviewing any available documentation and testing controls in place to determine their effectiveness.
- 1.5 This report has been prepared as part of the internal audit of Nottingham City Homes under the terms of the contract for internal audit services. It has been prepared for Nottingham City Homes and we neither accept nor assume any responsibility or duty of care to any third party in relation to it. The conclusions and recommendations are based on the results of audit work carried out and are reported in good faith. However, our methodology relies upon explanations by managers and sample testing and management should satisfy itself of the validity of any recommendations before acting upon them.

2 Executive Summary

- 2.1 We have carried out the audit in accordance with the programme agreed with management and the Audit Committee. Based on the audit work carried out we have concluded that the level of control over follow up: **Substantially meets expectations.**
- 2.2 Our audit work included an assessment of the processes in place to record audit recommendations and report progress on these to the Audit Committee. We confirmed the controls in place are appropriate and are being applied as intended.
- 2.3 There is an established process in place for recording and monitoring the implementation of recommendations made by internal audit. All recommendations have an assigned individual responsible for implementing and monitoring it. Updates are provided at each of the Audit Committee meetings and at EMT meetings on a quarterly basis. We confirmed that the process in place at the Organisation has not changed from the process we last reviewed, on which we gave a verbal update to the Audit Committee in

November 2012.

- 2.4 Testing was carried out on a sample of recommendations, including 2 high level recommendations and 6 medium level recommendations identified as being implemented. There was appropriate evidence to confirm the recommendations in our sample had been implemented. One of the recommendations in our sample was identified in the review of IT Security and Network Controls carried out in August 2009, and related to implementing a requirement for all staff to sign to confirm that they have read and understood the relevant IT Security policies. We confirmed that the policies were distributed to staff and that staff were required to provide their signed confirmation to the IT department by 7 December 2012. However, we identified that the IT department has not yet undertaken an exercise to confirm that returns have been received for all users in the active directory.
- 2.5 Key enhancement opportunities include:
- The IT department should carry out an exercise to confirm that all users in the active user directory have returned their signed confirmations stating that they have read and understood the relevant IT Security policies.
- 2.6 Finally, we wish to thank all members of staff for their availability, co-operation and assistance during the course of our review.

BDO LLP
April 2013

3 Detailed Findings

Key Risks	Key Controls and Mitigating Action	Conclusion
<p>Appropriate action may not be taken against identified control weaknesses and the Organisation may therefore be exposed to unmitigated risk.</p>	<p>Reporting and Monitoring of Recommendations The Assistant Director of Finance and Procurement collates the on-going recommendations from finalised internal audit reports onto the Audit Recommendations Register. This includes appropriate information to inform the Audit Committee when considering the recommendation, for example its priority level and a commentary. Responsible officers are contacted prior to Audit Committee and EMT meetings for an update on the progress of recommendations.</p> <p>The Assistant Director of Finance and Procurement is responsible for monitoring and recording internal and external audit recommendations. He will contact the Responsible Officers prior to Audit Committee and EMT meetings for an update on the current status of the recommendations.</p> <p>If the Responsible Officer requests a revised implementation date, then this will be discussed and agreed at the Audit Committee based on the information provided to them.</p> <p>Completed recommendations are marked as completed on the audit register but remain on the register. The Audit Committee will agree that their status is completed.</p> <p>Recommendations remain on the recommendation tracker until they have been implemented and reported to Audit Committee. The Audit Committee will agree any extensions to implementation dates for recommendations.</p>	<p>There are suitable arrangements in place to record and monitor internal and external audit recommendations.</p> <p>There are appropriate reporting structures in place to support the monitoring and implementation of agreed actions. Appropriate action is planned in line with agreed targets. Extensions to implementation dates are agreed by the Audit Committee.</p> <p>Recommendations are only removed from the tracker once they have been implemented.</p>

Key Risks	Key Controls and Mitigating Action	Conclusion
<p>Appropriate action may not be taken against identified control weaknesses and the Organisation may therefore be exposed to unmitigated risk.</p> <p>(Continued)</p>	<p>Audit Testing We selected a sample of completed recommendations from the register of outstanding recommendations dated January 2013, in order to confirm that they had been implemented as documented.</p> <p>One of the recommendations in the sample was the following recommendation, raised as part of the review of the IT Security – Network Controls Arrangements undertaken by previous internal auditors in August 2009:</p> <p><i>“All staff be required to sign to confirm that they have read and understand the relevant IT Security Policies”.</i></p> <p>We confirmed that policies have been distributed to users and signed confirmations have been retained in a file by the IT department. However, we identified that the IT department has not yet undertaken an exercise to ensure signed confirmations have been received from all relevant users in the active directory.</p> <p>We confirmed through a review of relevant evidence that the following sample of ‘closed’ recommendations had been implemented as stated within the Audit Recommendations Register:-</p> <ul style="list-style-type: none"> • TRA Grants (October 2012) R9 - relates to ensuring that all running cost expenditure, requested by TRAs, is reviewed for appropriateness. • TRA Grants (October 2012) R10 - relates to the amounts of grant awarded being in line with the internal limits in place. <p>TRA Grants (October 2012) R3 - relates to ensuring that the requirement for quarterly monitoring of grant expenditure is adhered to in practice.</p>	<p>For a sample of recommendations marked as “complete”, we confirmed that each recommendation had been implemented satisfactorily as documented. However, in relation to the recommendation from the August 2009 review of the IT Security – Network Controls Arrangements, regarding requiring staff to sign to confirm they have read and understood the relevant IT Security policies, we identified that the IT department has not yet undertaken an exercise to ensure signed confirmations have been received from all relevant users in the active directory.</p> <p>R1 The IT department should carry out an exercise to confirm that all users in the active user directory have returned their signed confirmations stating that they have read and understood the relevant IT Security policies.</p>

Key Risks	Key Controls and Mitigating Action	Conclusion
<p>Appropriate action may not be taken against identified control weaknesses and the Organisation may therefore be exposed to unmitigated risk.</p> <p>(Continued)</p>	<ul style="list-style-type: none"> • Governance and Anti-Fraud Arrangements (July 2009) R3 - relates to producing a clear fraud response plan which should be developed in line with good practice. • Equality and Diversity (August 2012) R2 - relates to ensuring actions documented in the Equality and Diversity Action Plan are be clearly referenced to the key equality and diversity objectives. • Disaster Recovery and Contingency Planning (July 2012) R6 - relates to consideration of how emergency tenant communication procedures can be made more efficient. • Disaster Recovery and Contingency Planning (July 2012) R5 - relates to documenting the information requirements of all the interested parties and supporting infrastructure put in place. 	<p>As above</p>

4 Action Plan

Ref.	Findings	Recommendations	Priority	Management Response	Responsibility / Due Date
R1	<p>One of the recommendations in the sample selected for testing was the following recommendation, raised as part of the review of the IT Security – Network Controls Arrangements undertaken by previous internal auditors in August 2009:</p> <p><i>“All staff be required to sign to confirm that they have read and understand the relevant IT Security Policies”.</i></p> <p>We confirmed that the policies were distributed to staff and that staff were required to provide their signed confirmation to the IT department by 7 December 2012. However, we identified that the IT department has not yet undertaken an exercise to confirm that returns have been received for all users in the active directory.</p>	<p>R1</p> <p>The IT department should carry out an exercise to confirm that all users in the active user directory have returned their signed confirmations stating that they have read and understood the relevant IT Security policies.</p>	Low	Exercise shall be completed and non-returned forms shall be followed up with the respective employees.	<p>Beth Lawton – AD of ICT</p> <p>(End of May 2013)</p>

5 Definitions

Assurance Level	Definition
Fully meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the area under review and meet or exceed relevant external requirements. There is only a small risk of failure or non-compliance.
Substantially meets expectations	Our audit work provides assurance that the arrangements should deliver the key objectives and risk management aims of the organisation in the area under review and meet most relevant external requirements. There is some risk of failure or non-compliance.
Partly meets expectations	Our audit work provides assurance that the arrangements will deliver only some of the key objectives and risk management aims of the organisation in the area under review or may not meet relevant external requirements. There is a significant risk of failure or non-compliance.
Does not meet expectations	Our audit work provides little assurance. The arrangements will not deliver the key objectives and risk management aims of the organisation in the area under review or will not meet relevant external requirements. There is an almost certain risk of failure or non-compliance.

Recommendation priority	Definition
High priority recommendations	Those that failure to address would result in a significant and unacceptable risk to the organisation arising or continuing.
Medium priority recommendations	Those that failure to address would result in a moderate risk to the organisation arising or continuing or relate to significant best practice improvements.
Low priority recommendations	Those that failure to address would result in a minor risk to the organisation arising or continuing or relate to moderate best practice improvements.