

NOTTINGHAM CITY HOMES LIMITED
AUDIT COMMITTEE MEETING



Date: MONDAY 11 APRIL 2016

Time: 5:30 PM

Place: MEETING ROOM LH 1.15, LOXLEY HOUSE, NOTTINGHAM, NG2 3NJ

Directors of the Board are requested to attend the above meeting on the date and at the time and place stated to transact the following business:

George Pashley
Company Secretary

AGENDA

			Page No.	Time
1.	INTRODUCTORY ITEMS			
1.1	WELCOME		-	5.30
1.2	APOLOGIES FOR ABSENCE		-	
1.3	DECLARATION OF INTERESTS		-	
1.4	ITEMS FROM THE CHAIR		-	
1.5	MINUTES OF THE PUBLIC MEETING HELD ON 11 JANUARY 2016	Attached	3-7	5.30
1.6	MATTERS ARISING			5.35
2.	GOVERNANCE			
2.1	CORPORATE RISK REGISTER Report of the Head of Risk Management	Attached	8-17	5.40
3.	STRATEGY AND LEADERSHIP			
3.1	INTERNAL AUDIT REPORTS Report of the Head of Internal Audit	Attached	18-41	5.45
	1. NCH New Build			
	2. Budgetary Control and Financial Reporting			
	3. Financial Systems (including HR)			
3.2	INTERNAL AUDIT PLAN 2016-2017 Report of the Head of Internal Audit	Attached	42	6.05
3.3	OUTSTANDING AUDIT RECOMMENDATIONS	Attached	43-47	6.15

6. CLOSING ITEMS

- 6.1 ANY OTHER BUSINESS 6.25
- 6.2 DATE OF NEXT MEETING
Monday 11 July 2016 in Room LH 1.15, Loxley House.

7. [REDACTED]

■	[REDACTED]	■	48-50	■
■	[REDACTED]			6.30
■	[REDACTED]	■	51-53	■
■	[REDACTED]	■	54-56	■

Members wishing to raise matters under Any Other Business should note that items will only be accepted if referred to and agreed by the Chair of the Board prior to commencement of the Meeting. Members wishing to submit their apologies should do so by contacting the Company Secretariat on 0115 746 9485. This agenda was issued by email on **4 April 2016**.

NOTTINGHAM CITY HOMES LIMITED

AUDIT COMMITTEE

Minutes of the Meeting of the Audit Committee held on **11 January 2016** in Room LH1.15 Loxley House, Station Street, Nottingham from 5:30 pm

Present

Committee Members:

Anne Dean
Glenn Harris MBE (Chair)
Mike Khouri-Bent
Sarita-Marie Rehman-Wall
Steve Young

Also in attendance:

Philip Coleman	RSM UK
Cathy Dobb	Head of Governance
Simon Parsons	Internal Audit Manager
George Pashley	Company Secretary
Darren Phillips	Assistant Director of Finance and Procurement
Ian Rabett	Head of Health and Safety
Shail Shah	Head of Internal Audit NCC
Jonathan Shaw	Director of Business Services

1. INTRODUCTORY ITEMS

1.1 WELCOME

The Chair opened the meeting and welcomed the attendees.

1.2 APOLOGIES FOR ABSENCE

No apologies received.

1.3 DECLARATIONS OF INTEREST

None declared.

1.4 ITEMS FROM THE CHAIR

1.4.1 Transitional Audit Committee Arrangements:

The Chair informed the meeting that as there were changes to the structure of the Committees after the last AGM, and in order to be quorate, it was agreed to appoint Sarita-Marie Rehman-Wall and Steve Young to the Audit Committee. Chair used the Urgency Procedure powers and both Sarita-Marie Rehman-Wall and Steve Young

have agreed to continue as Audit Committee members until the next AGM.

1.5 MINUTES OF THE PUBLIC MEETING HELD ON 12 OCTOBER 2015

The Audit Committee adopted the minutes as a true and accurate record of the meeting and signed by the Chair.

2. GOVERNANCE

2.1 CORPORATE RISK REGISTER

The Head of Health and Safety presented the Corporate Risk Register report which updated Audit Committee about progress with the new NCH Corporate Risk Register and included a timetable for its full implementation. The Board had received and approved recommendations for a new Corporate Risk Register in November 2015.

A list of the risks and sub risks went to Board and were approved and now the process of defining the control measures and risks is taking place. A Management Group has been created to assist with this, and will meet every two months.

The next step is to identify and delegate ownership of the risks and sub-risks in the Corporate Risk Register. The proposal is that each risk is owned by an executive director, and sub-risks are delegated to company officers (heads of service or equivalent). In this way, Executive Management Team is able to delegate actions arising from the risk register, but maintains accountability for the risks. This proposal will be made to the Executive Management Team in January 2016, with a recommendation that risk owners are appointed by Executive Management Team.

The next step is to create Directorate Risk Registers for each of the four directorates following publication of the Corporate Risk Register..

The Head of Health and Safety confirmed that the existing Risk Register is on Covalent and will still be valid and live until the new Corporate Risk Register has been adopted in July. If the risks change, it would be recorded on the existing Corporate Risk Register and a draft of the mitigating actions required would be submitted to the Audit Committee. Progress can be reported back to the Audit Committee in April, and to Board in February.

RESOLUTIONS:

The Committee agreed:

1. To note the contents of the report.

3. STRATEGY AND LEADERSHIP

3.1 EXTERNAL AUDIT – 2015/16 AUDIT PLAN

Philip Coleman from RSM presented the 'Power of Being Understood' report and explained the purpose and scope of the report, such as highlighting what the key issues are and their financial impacts. The report is draft at this stage, with a detailed planning visit due in February. Any changes from the draft will be reported on to Audit Committee. The report covers NCH Ltd only at the moment and not the planned subsidiaries.

NCH is looking to develop and broaden its activities and the company needs to know how these developments could impact on its Development Strategy and Property Accounting. The subsidiaries are not expected to trade before 31 March, and this means that there may need to be two year end changes, with a full year reporting from 31 March 2017 onwards.

Other general issues raised include management override of internal controls, and pension liability. The Audit Committee confirmed that the areas of risk included in the report are sufficient. Component accounting is expected to be complied with for NCH owned properties NCH confirmed that this approach had been instigated for this year.

RESOLUTIONS:

The Committee agreed:

- 1. To note the contents of the report.**
- 2. The risk areas are acceptable.**

3.2 INTERNAL AUDIT REPORTS

3.2(i) Adaptations Service

The Head of Internal Audit NCC presented the report on the review of the Adaptations Service. The title of the audit report has disappeared and will be brought to the attention of the Governance Team. The report scope was to ensure that the Adaptations Service had appropriate processes and reporting mechanisms in place in respect of the management of workload and unproductive time and income.

There are no recommendations as all controls are in place and there is nothing to raise.

RESOLUTIONS:

The Committee agreed:

- 1. To note the contents of the report.**

3.2(ii) Equality and Diversity

The Head of Internal Audit NCC presented the report on the first review of Equality and Diversity processes. The audit reviewed the protocol and controls, the recruitment process and the effectiveness of customer profiling.

The five recommendations on their own don't have a higher risk but together they do pose a higher risk. A lot of the actions required are being undertaken at the moment. The recommendations are all related to items not being up to date, including the website and can easily be resolved.

The Company Secretary informed the Committee that a new Learning Management system was installed this year and the old statistics were not transported across as quickly as would have liked. There were three separate areas that were affected but now there is one manager for all three areas and therefore the issues identified should be resolved. There is an Equality and Diversity strategy going to Board in January.

RESOLUTIONS:

The Committee agreed:

1. To note the contents of the report.

3.2(iii) Freedom of Information (FOI)

The Internal Audit Manager presented the report on the first review of the Freedom of Information processes. The audit reviewed the protocol and controls and the robustness of procedures.

The audit found no high recommendations, and as such it was a reasonable result with regard to outcomes.

The Company Secretary stated that there were minor administrative issues that when added together create a bigger issue. Since the audit, there have been staffing changes and NCH are able to deal with requests in a more consistent basis. There will also be a new website shortly. The Company Secretary confirmed that all FOI requests have been dealt with within the required timescales. All recommendations will be completed by June 2016.

RESOLUTIONS:

The Committee agreed:

1. To note the contents of the report.

3.2(iv) HR Pay Policy Compliance

The Head of Internal Audit NCC presented the report on the review of the HR Pay Policy Compliance. The report scope covered processing starters and leaver, additional payments, Service Level Agreement, and the reconciliation of the HR and Payroll systems.

The report recommendations with regard to amendments to payroll will be sorted in the future. The Company Secretary informed the Committee that there are issues with managing payroll and EMSS using same system as NCC. The Internal Audit Manager stated that there is no Service Level Agreement with NCC but there are internal issues also with EMSS and payroll remains a concern and there is a need to keep an eye on that area.

RESOLUTIONS:

The Committee agreed:

1. To note the contents of the report.

3.2(v) 2015/16 Internal Audit Plan Progress Update Q3

The Head of Internal Audit NCC presented the update report on the 2015/16 Internal Audit Plan.

On target, but one Audit area is not able to report as yet but will be included in the next quarter's update report. The next quarter's report will be a 'meaty' one.

Overview is that all is going to plan and the recommendations reflect an audit system that is working quite well.

RESOLUTIONS:

The Committee agreed:

- 1. To note the contents of the report.**

3.3 OUTSTANDING AUDIT RECOMMENDATIONS

The Assistant Director of Finance and Procurement presented the report on the outstanding audit recommendations.

The audit register has a total of 26 recommendations and 23 are still outstanding. Of 21, three are ranked as high, 13 as medium and five as low.

RESOLUTIONS:

The Committee agreed:

- 1. To note the contents of the report and confirmed their satisfaction with the progress made.**

4. FINANCIAL AND PERFORMANCE MONITORING

None.

5. NEW BUSINESS

None.

6. CLOSING ITEMS

6.1 ANY OTHER BUSINESS

None.

6.2 DATE OF NEXT MEETING

The Audit Committee agreed that the date of the next scheduled meeting was 11 April 2016, and will be held in Room LH 1.15 Loxley House, Station Street, Nottingham.

The meeting closed at 6:07 pm

Signed Date

NOTTINGHAM CITY HOMES

REPORT OF HEAD OF
RISK MANAGEMENT

AUDIT COMMITTEE
11 April 2016

CORPORATE RISK REGISTER

1 SUMMARY

- 1.1 The new corporate risk register is progressing on target.
- 1.2 Audit Committee has a role to examine risks in the corporate risk register and make recommendations to Board. This report proposes how this would be scheduled throughout the year.

2 RECOMMENDATIONS

- 2.1 Audit Committee is asked to approve the proposal at paragraph 3.4

3 REPORT

- 3.1 The draft new corporate risk register is attached at [appendix 1](#). Internal controls and further actions are included, but subject to change following training for risk owners.
- 3.2 Although this data is being added to Covalent, it is not yet available to risk owners to score their risks. This will be available shortly, and in plenty of time before Board is asked to approve the risk register and set its risk appetite (i.e. approve target risk scores) in July.
- 3.3 Our revised Risk Framework requires that the corporate risk register is reviewed twice yearly by Board and quarterly by Audit Committee. Board will receive summary reports regarding the 9 risks in the register, while Audit Committee will review the [currently 41] sub risks.
- 3.4 It is unrealistic to expect Audit Committee to review all sub risks at each quarterly meeting. We therefore propose that Audit Committee examine risks on a cyclical basis, so that all risks are reviewed throughout the year. A proposed timetable is shown at [appendix 2](#).

4 FINANCIAL, LEGAL AND RISK IMPLICATIONS

4.1 Financial

- 4.1.1 None.

4.2 Legal

- 4.2.1 None.

5 IMPLICATIONS FOR NOTTINGHAM CITY HOMES' OBJECTIVES

5.1 The risk register defines risks to the corporate plan objectives and identifies measures to ensure that objectives are met. The RP risk register is required to meet HCA governance standards.

6 EQUALITY AND DIVERSITY IMPLICATIONS

6.1 Has the equality impact of these proposals been assessed?
 Yes (EIA attached)
 No (this report does not contain proposals which require an EIA)

7 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

7.1 N/A

Contact officers: Ian Rabett,
 Head of Risk Management
 Nottingham City Homes
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Date: 31 March 2016

Appendix 1 – Current risks, sub risks, controls and further actions

1. STRATEGIC LEADERSHIP

(Weaknesses in the leadership provided by Board and senior management, our planning processes or governance arrangements lead to poor performance, lack of confidence or breach of statutory requirements)

	Sub Risk	Owner	Internal Controls	Further Action
a	Board lacks the competence, structure and authority to provide strategic direction and oversight, and appropriate challenge to senior management.	Head of Governance	<ul style="list-style-type: none"> ✓ Comprehensive Board member skills audit and appraisals undertaken each year. Independent assessment of the Chair undertaken annual by an external examiner. ✓ Review of skills in 2015 lead to the recruitment of Board Members with specific skills in order to ensure capability of providing strategic direction and challenge. ✓ There is a comprehensive induction process for Board Members. 	<ul style="list-style-type: none"> ✓ CEP undertaking routine monitoring of Board activities and meetings. ✓ Bespoke training and mentoring for Board member

	Sub Risk	Owner	Internal Controls	Further Action
b	NCH lacks the knowledge, resources and procedures required to ensure that the statutory and operational requirements of running a company are complied with.	Head of Governance	<ul style="list-style-type: none"> ✓ NCH has a Company Secretary with clear accountability to the Board. ✓ NCH supported by comprehensive Standing Orders Part 1 Governance, Part 2 Financial Regulations and Part 3 Tender and Contracts Procedures are in place. 	<ul style="list-style-type: none"> ✓ None identified
c	Present governance arrangements are insufficient to ensure compliance with the HCA's regulatory framework.	Head of Governance	<ul style="list-style-type: none"> ✓ Comprehensive self-assessment undertaken utilising the NHF 2015 Code of Governance Checklist to ensure governance arrangements meet the minimum criteria required. The NHF requirements are more stringent than HCA. Board, EMT and staff training undertaken with regard to governance compliance 	<ul style="list-style-type: none"> ✓ Anthony Collins provides training on Governance arrangements and the differences between the different Articles of Association.
d	NCH management structure may have neither the competence nor capacity to manage its 2 new subsidiaries.	Director Business Services		
e	Mismanagement of funding allocated to NCH, including poor financial management or failure to follow financial regulations.	AD Finance	<ul style="list-style-type: none"> ✓ Robust and regularly reviewed Financial Regulations. Specific and separate business units and income codes established and used on the ORACLE ledger system. ✓ Monthly budget management reports issued to Tier 3 Managers, Directors, and EMT (Board 1/4ly). Robust and integrated Team Planning and budget setting process. 	<ul style="list-style-type: none"> ✓ Financial Regulations need to reviewed and updated/replicated to ensure Group structure and subsidiary requirements are met. ✓ EMT and Board reporting to be expanded to include subsidiaries and new areas of business.

2. FINANCIAL

(Variations in assumptions made for business planning purposes or the adverse effects of external influences create a shortfall in funding levels and potential failure to maintain sufficient credit to operate as a going concern)

	Sub Risk	Owner	Internal Controls	Further Action
a	Rental income is reduced by 1% p.a. from 2016 - 2020, creating a shortfall against projected income.	Director Business Services		
b	Demands are made on NCH income in order to reduce the Council's deficit, resulting in an inability to maintain stock to DH standard	Director Business Services		

	Sub Risk	Owner	Internal Controls	Further Action
c	Funding income for NOC is reduced, resulting in reduced services or increased costs for the most vulnerable residents.	Head of Supported Housing	<ul style="list-style-type: none"> ✓ Implementation of rigorous quality assurance process to maintain high standard of service delivery ✓ Development of proactive relationships with service commissioners 	<ul style="list-style-type: none"> ✓ Implementation of marketing strategy targeting conurbation self-funders ✓ Diversification into new markets particularly stand-alone assistive technology solutions ✓ Actively targeting other locality and RP lifeline contracts
d	Failure to maintain performance results in withdrawal of insourcing income from NCC	Head of BID	<ul style="list-style-type: none"> ✓ Quarterly review of NCH Performance between NCH and NCC ✓ Quarterly review of RM agreement between NCH and NCC ✓ Robust performance management framework 	<ul style="list-style-type: none"> ✓ Training and support to Customer Excellence Panel to monitor company performance Monthly team plan reports including finance, performance and projects
e	Extension of Right to Buy to registered providers reduces NCH RP stock and NCH RP rental income.	AD Finance	<ul style="list-style-type: none"> ✓ RTB legislation limits the sale of new build properties to ?TBC? years after construction. HCA grant secured on Church Square RP properties, reducing NCH's financial investment. 	<ul style="list-style-type: none"> ✓ None identified
f	The introduction of Universal Credit impacts on tenants' ability to afford rents, and directs rents payments directly to them, requiring additional resources to maintain rent collection at current levels.	Head of Rents	<ul style="list-style-type: none"> ✓ A Welfare Reform Project Board has been established to ensure that appropriate measures are put in place to mitigate against the potential impact of UC. 	<ul style="list-style-type: none"> ✓ The Welfare Reform Project Board meets monthly and the project is monitored through Covalent to ensure actions are progressed.
g	The Company does not carry out regular or structured stress testing to ensure that it remains financially viable in the event of severe income variations, resulting in potential income shortfalls and failure to meet HCA's Financial Viability Standard	AD Finance	<ul style="list-style-type: none"> ✓ Specific Stress Testing to be provided on key elements required to be compliant with NHF and to support the RP application. 	<ul style="list-style-type: none"> ✓ None identified
h	Increases in inflation rates create additional costs (for services and materials) and an expectation for increased staff pay.	AD Finance	<ul style="list-style-type: none"> ✓ Current legislation allows for CPI+1% increase in rental income from , which shall help mitigate inflation costs. ✓ New business strategy, supported by new management structure, which targets new business to create surpluses from activities and absorb overheads. ✓ NCH Procurement Team, Strategy and Forward Plan that supports achieving VFM on all NCH supplies. 	<ul style="list-style-type: none"> ✓ Review of arrangements with and use of EEM Frameworks and plan for reducing annual commissions paid by NCH.

	Sub Risk	Owner	Internal Controls	Further Action
i	Pensions deficits are unaffordable, and create additional financial burdens on the organisation	AD Finance	<ul style="list-style-type: none"> ✓ Actuarial tri-annual valuation suggested no increase in % employer contribution in 2016/17 and increase of only £23k in Employer one-off annual contribution. 	<ul style="list-style-type: none"> ✓ Results of 2016 Tri-annual NCC Pension Fund valuation - to include 2017/18, 2018/19 and 2019/20 Employer contributions.
j	Interest rates increase creating additional burdens on debt repayments	AD Finance	<ul style="list-style-type: none"> ✓ New Build reserves of £4.179 million increasing to £5.679 million in 2016/17, which reduces reliance on loans. ✓ Loan agreement with NCC which limits interest rates to PWLB +0.4% and fixes them throughout the loan period. ✓ Financial modelling completed for all new build schemes and acquisitions and presented to EMT and Board. ✓ Risk factors included in financial modelling to reflect possible movements in rates - pre formal agreement. 	<ul style="list-style-type: none"> ✓ None identified
k	Property values decrease (or East Midlands property values fall behind national averages)	AD Finance	<ul style="list-style-type: none"> ✓ MFTP does not include any borrowing based on current fixed asset base. 	<ul style="list-style-type: none"> ✓ None identified
l	Increasing energy supply costs (e.g. oil / gas / electricity) create additional overheads for running a business, and increase fuel poverty amongst residents	AD Finance	<ul style="list-style-type: none"> ✓ Solar PV panels included in nearly 2,000 HRA properties providing a level of free electricity to tenants. Solar PV panels included in majority of NCH new build schemes providing a level of free electricity to tenants. ✓ Accommodation Strategy has reduced exposure to energy costs. Partnership working with NCC and Robin Hood Energy. ✓ HRA capital programme investment in Green and Energy savings works and initiatives to tenant's homes. 	<ul style="list-style-type: none"> ✓ Accommodation Strategy: Reserve of £1m to redevelopment Harvey Road site and improve efficiency of the building. ✓ Capital Programme: £5 million Strelley JSC/ILS redevelopment. Capital Programme: Continued delivery of new energy saving works. ✓ Possible inclusion of fitting energy storage equipment in properties with PV Solar Panels.
m	The shift in the HCA's Affordable Homes Programme for 2015-18 away from rented homes to shared ownership may impact on NCH RP's ambition to build more new homes.	AD Finance	<ul style="list-style-type: none"> ✓ Corporate Plan, MTFP and respective NCH new build schemes are not reliant on or supported by any unapproved / unsecured HCA grant. 	<ul style="list-style-type: none"> ✓ None identified

3. HEALTH AND SAFETY

(A failure to manage risk, comply with statutory requirements or plan effectively for emergencies results in injury, ill-health, legal action or inability to deliver services)

	Sub Risk	Owner	Internal Controls	Further Action
a	Employees or residents are injured as a result of the company's activities, resulting in lost time and employer's / public liability claims.	Head of Risk Management	<ul style="list-style-type: none"> ✓ Health and safety management system in place certified to OHSAS18001. ✓ Fire Risk Management System to PAS 7 ✓ Health & Safety Committee and Fire Risk Management Groups ✓ Corporate Risk Management Group monitors employer's and public liability claims. 	<ul style="list-style-type: none"> ✓ Revise Health, Safety & Emergency Control Policy in line with proposals accepted by Board January 2016. ✓ Update HSEC management systems, procedure and guidance manuals. ✓ Implement RM Team Plan 2016/17.
b	NCH fails to meet its statutory health and safety and fire safety obligations (including gas servicing), resulting in prosecution or public censure	Head of Risk Management	<ul style="list-style-type: none"> ✓ Register of legislative requirements 	<ul style="list-style-type: none"> ✓ None identified

4. BUSINESS CONTINUITY

(A failure to plan effectively for emergencies results in threats to residents' welfare, loss of homes or a temporary inability to deliver services)

	Sub Risk	Owner	Internal Controls	Further Action
a	Business continuity risks are not recognised or managed, resulting in business disruption following an unexpected event.	Head of Risk Management	<ul style="list-style-type: none"> ✓ Emergency Control Management System ✓ NCH Emergency Plan 	<ul style="list-style-type: none"> ✓ Revise business impact assessment process and roll out to all service areas
b	NCH fails to plan for and resource its response to emergencies, resulting in poor response, increased risk to employees and customers and reputational damage	Head of Risk Management	<ul style="list-style-type: none"> ✓ Emergency Control Management System ✓ Out of hours Emergency Response Team ✓ Regular testing of emergency plan 	<ul style="list-style-type: none"> ✓ Train in hours housing services teams in emergency response and provide emergency response equipment. ✓ Provide out of hours emergency funding to response team.
c	Strike or other industrial action (e.g. fuel strikes) reduces or prevents NCH service delivery.	Head of Organisational Development	<ul style="list-style-type: none"> ✓ Continue with effective and meaningful consultations with Unions at each level to maintain good industrial relationships ✓ Annual review of relevant people policies with Trade Unions to ensure compliance 	<ul style="list-style-type: none"> ✓ None identified

5. RELATIONSHIPS WITH CUSTOMERS & KEY STAKEHOLDERS

(Poor performance, customer service and relationships with stakeholders results in loss of confidence in the company to meet its objectives)

	Sub Risk	Owner	Internal Controls	Further Action
a	Poor performance and customer service creates dissatisfaction and failure to retain confidence of key stakeholders, e.g. the City Council	Head of BID	✓ Customer Satisfaction surveys - current 88% score indicates highest level since 2005.	✓ None identified
b	Poor relationship with local press and failure to promote company's achievements creates a detrimental public image	Head of Marketing & Comms		

6. EMPLOYEE ENGAGEMENT

(A lack of consistent leadership and employee engagement or diminishing terms and conditions of employment lead to loss of employee confidence, reducing morale and an inability to retain / recruit competent employees)

	Sub Risk	Owner	Internal Controls	Further Action
a	Ineffective employee relations, reductions in training budgets and poor leadership creates a failure to maintain a competent and motivated workforce	Head of Organisational Development	✓ High visibility and leadership of YOUR Forum to promote effective employment relations and cascade output and actions to relevant managers, unions, EMT	✓ Ensure recruitment process is fit for purpose and meets targets agreed for 'time to hire' and reduces 'cost per hire' in line with Priority Based Budgeting
b	The cumulative effects of changes to terms and conditions, pensions and pay freezes creates uncompetitive terms and conditions, resulting in increased staff turnover and failure to recruit competent employees	Head of Organisational Development	✓ Recently completed pay evaluation and management reviews	✓ Introduce a pilot Workforce Planning process into NCH and evaluate results during 2016 to optimise skills, efficiencies, work scheduling and equalities

7. CHANGES IN POLICY OR LEGISLATION

(Adverse or frequent changes to government [or NCC] housing policy and / or legislation [in particular the Housing Bill] creates additional burdens on resources, an inability to plan effectively for the future, and loss of income or loss of identity / assets)

	Sub Risk	Owner	Internal Controls	Further Action
a	The introduction of Pay to Stay requires additional resources to track household incomes and amend rent payments, and encourages higher income families to exercise Right to Buy.	Head of Rents	✓ A Welfare Reform Project Board has been established to ensure that appropriate measures are put in place to mitigate against the potential impact of UC.	✓ The Welfare Reform Project Board meets monthly and the project is monitored through Covalent to ensure actions are progressed.

	Sub Risk	Owner	Internal Controls	Further Action
b	NCC is forced to sell off higher value properties, reducing the numbers and desirability of its housing stock.	AD Finance	<ul style="list-style-type: none"> ✓ NCH and NCC new build programme. Waiting list for existing stock is over-subscribed i.e. demand exceeds supply. ✓ NCH new business strategy, supported by new management structure, which targets new business to utilise staff resource and absorb overheads - mitigating reducing HRA fees. 	<ul style="list-style-type: none"> ✓ None identified
c	Frequent changes to legislation and policy prevent effective planning for the future.	Head of BID	<ul style="list-style-type: none"> ✓ Horizon scanning of local and national policy 	<ul style="list-style-type: none"> ✓ Quarterly policy briefing to Board, EMT and senior managers

8. INFORMATION & COMMUNICATIONS TECHNOLOGY [ICT]

(Loss of data, failure of networks or operating systems, insufficient data security or a failure to invest in technological improvements prevents efficient delivery of services or results in legal action)

	Sub Risk	Owner	Internal Controls	Further Action
a	Critical ICT systems and data are not backed up securely, resulting in significant data loss or inability to provide effective services.	Director Business Services		
b	ICT projects and system improvements are not delivered as planned, causing delays to major projects and additional costs	Director Business Services		
c	Inadequate ICT security allows data theft, fraud and malware infections of NCH and customer information.	Director Business Services		
d	ICT databases and web pages are not kept up to date or contain incorrect information, resulting in poor customer services and experience	Director Business Services		
e	Failure to match company requirements and ICT systems results in inefficient service delivery.	Director Business Services		

9. BUSINESS DEVELOPMENT

(NCH fails to diversify, compete effectively in open markets or manage the risks associated with new business activities, resulting in a reducing core business, poor investments and loss of confidence in the organisation)

	Sub Risk	Owner	Internal Controls	Further Action
a	Our failure to identify new business opportunities and to grow and diversify appropriately results in a net reduction of the company's business and assets.	Head of BID	<ul style="list-style-type: none"> ✓ NCH business development priorities agreed by Board Partnership working ✓ Learning from sector best practice ✓ Reviewing tender opportunities ✓ Reviewing funding / grant opportunities ✓ Business Development Manager dedicated to identifying and securing new business 	✓ None identified
b	A failure to identify and manage the risks attached to new business results in financial loss or reputational damage for Nottingham City Homes	Head of BID	<ul style="list-style-type: none"> ✓ Business Opportunities Matrix provides a framework for assessing risk ✓ New business governance arrangements ✓ Business case template 	✓ Management review to deliver in house capacity to identify and secure new business
c	A lack of commercial awareness and expertise at Board and Executive Management level results in early failure of new business models	Head of Governance	<ul style="list-style-type: none"> ✓ Comprehensive self-assessment undertaken utilising the NHF 2015 Code of Governance Checklist to ensure governance arrangements meet the minimum criteria required. The NHF requirements are more stringent than HCA. ✓ Board, EMT and staff training undertaken with regard to governance compliance. ✓ Anthony Collins Training provided to EMT and Staff members. NCH has a Company Secretary with clear accountability to the Board. ✓ NCH supported by comprehensive Standing Orders Part 1 Governance, Part 2 Financial Regulations and Part 3 Tender and Contracts Procedures are in place. 	✓ Specific Stress Testing to be provided on key elements required to be compliant with NHF and to support the RP application.
d	Competition and other market forces impact on the success and profitability of new business ventures	Head of BID	<ul style="list-style-type: none"> ✓ Business Opportunities Matrix ✓ Business Case Template ✓ New business governance arrangements 	✓ None identified
e	Forced sale of new build homes at below market rates through RTB leaves NCH with outstanding debt and no rental income for affected properties.	AD Finance	<ul style="list-style-type: none"> ✓ NCH Limited is currently not effected by RTB legislation. 	✓ None identified
f	Inability to acquire land suitable for development in Nottingham reduces scope and increases cost of new build programmes	Head of Development	<ul style="list-style-type: none"> ✓ Working with NCC to identify appropriate sites 	✓ Ability to purchase land for new build as NCH RP subsidiary company

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Appendix 2 – Proposed Timetable for AC Review of CRR

Meeting	Risks to review	No sub risks	Notes
July 2016	All Risks	41	This is not an in-depth review. The purpose of this is for AC to review the final version of the CRR (including risk scores and target scores) in order to make recommendations to full Board
Insert date of next meeting	1. Strategic Leadership 3. Health and Safety 4. Business Continuity	5 2 3	
Insert date of next meeting	2. Financial	13	Although there are more sub risks in this category than any others, it makes sense to review them in one go as many controls will be similar
Insert date of next meeting	5. Relationships with Customers & Key Stakeholders 6. Employee Engagement 7. Changes in Policy or Legislation	2 2 3	
Insert date of next meeting	8. Information & Communications Technology [ICT] 9. Business Development	5 6	

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**Nottingham City Homes
Internal Audit Plan 2015-16: Quarter 4 Update.**

Area	Sponsor(s)	Director	Days	QR1	QR2	QR3	QR4	Comment / Changes requiring Audit Committee Approval
Health & Safety	Ian Rabett (Head of Health & Safety)	George Pashley (Company Secretary)	4	4				
ICT and Systems (Review of Repairs and Housing Management systems)	Beth Lawton (AD of ICT)	Jonathan Shaw (Business Services)	6		6			
Procurement & Contracts (Procurement Forward Planning & Compliance)	Darren Phillips (AD of Finance & Procurement)	Jonathan Shaw	4				4	Level of assurance Significant
Freedom of Information (Publication scheme & Compliance)	George Pashley	George Pashley	6			6		
HRA (Tenants Incentive Scheme)	Mark Lawson (Housing Support Officer)	Gill Moy (Housing Services) /Jonathon Shaw	5	5				
Asset Management & Capital Programme - Contract Mgt	Steve Edlin (AD of Asset Mgt)	Steve Hale (Property Services)	7				7	Deferred until Qtr1 of 2016/17 IA Plan
NCH New Build	Steve Hale	Steve Hale	6				6	
Rents & Arrears Management	Richard Holland (AD of Hsg Services)	Gill Moy	4		4			
Repairs Service (Adaptations)	Darrell Smith (Project Manager)	Steve Hale	4			4		
Right To Buy	Kay Frankson (Head of Rents)	Gill Moy	3	3				
Equality & Diversity	Anita Hobson (Interim Head of E&D)	George Pashley	4			4		
Budgetary Control & Financial Reporting	Darren Phillips	Jonathan Shaw	4				4	
Financial Systems (including HR Payroll)	Darren Phillips	Jonathan Shaw	2				2	Level of Assurance High
Human Resources	George Pashley	George Pashley	4		4			
Leaseholder recharges	Kay Frankson (Head of Rents)	Gill Moy	4	4				
- Follow up arrangements	Darren Phillips	Jonathan Shaw	2				2	Brief update regarding leaseholder recharges
TOTAL			69	16	14	14	25	

Optional audits - possibly to be agreed during 2015/16

Repairs Service	Steve Hale	4
Absence Management	Nick Murphy	5
Tenancy Fraud	Gill Moy	4
Area Committee Works	Steve Hale	5
		18

COMMITTEE DATES & FINAL REPORT DEADLINES		Key
QR1 - 13th July 2015	Deadline: 26th June 2015	In progress
QR2 - 12th October 2015	Deadline 25th September 2015	Completed draft
QR3 - 11th January 2016	Deadline 31st December 2015	Completed final
QR4 - 11th April 2015	Deadline 24th March 2016	Committee approved

Return to agenda

FINAL INTERNAL AUDIT REPORT

New Build – Contract Management

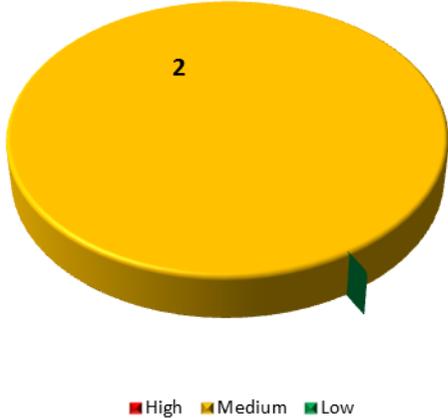
Nottingham City Council
Internal Audit



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Distribution List	
Issue Date:	30 March 2016
Issued to:	Steve Hale, Director of Property Services
Copied to:	Richard Whittaker, Head of Development Derek Green, Quantity Surveyor

Contact Details:		
Head of Internal Audit	Shail Shah	Ext 64245
Audit Manager	Simon Parsons	Ext 64246
Principal Auditor	Ann Ross	Ext 64235

<p>Organisation: Nottingham City Homes</p> <p>Previous Audits:</p> <p>Procurement & Contracts 2015</p>	<p>Overall Opinion</p> <p>Significant Assurance</p>		<p>Direction of Travel</p> <p>No Changes</p> 
<p><u>Scope and Approach:</u> The agreed scope for the audit covered :-</p> <ul style="list-style-type: none"> • Systems are in place for the letting and monitoring of contracts; • Legislation and Financial Regulations have been complied with; • Appropriate tendering has taken place and that contracts are in place, which have been suitably authorised; • Contracts are being monitored for financial cost and compliance with contract conditions; • Payments made have been calculated correctly, accurately, in line with contract terms and are appropriately authorised; • Budget monitoring is undertaken and is reported to management ; • Adequate records are being maintained, which are held securely. 			
<p>High Priority Recommendations</p> <p>None</p>	<p><u>Summary of the recommendations by priority</u></p> 		

New Build – Contract Management

Introduction and Background

- 1.1 As part of the 2015/16 audit plan for Nottingham City Homes (NCH), we have undertaken a review of New Build – Contract Management. The agreed scope covered:
- Systems are in place for the letting and monitoring of contracts;
 - Legislation and financial regulations have been complied with;
 - Appropriate tendering has taken place and that contracts are in place, which have been suitably authorised;
 - Contracts are being monitored for financial cost and compliance with contract conditions;
 - Payments made have been calculated correctly, accurately, in line with contract terms and are appropriately authorised;
 - Budget monitoring is undertaken and is reported to management ;
 - Adequate records are being maintained, which are held securely.
- 1.2 The number of new builds has increased substantially and NCH is currently funding these through loans from NCC using Public Works Loan Boards and has agreed a business module to repay NCC.
- 1.3 Management have expressed concerns in that New Build has grown substantially and NCH does not have sufficient staff to manage it. Together with the continued appropriateness of the framework of suppliers (as set up through Efficiency East Midlands).

Key Findings

- 1.4 Internal Audit undertook a review in 2014/15 for Procurement and Contracts and provided an opinion on the adequacy of this area as significant. Therefore reliance has been placed on this work to ensure that appropriate tendering has taken place and legislation and financial regulations have been complied with.
- 1.5 The Lenton site was identified as an opportunity to regenerate and develop an effective mix of housing. Phase one was to build 54 sheltered units, with the second phase consisting of 16 new bungalows, 10 flats and 62 family homes. The overall completion date was set for 2016/17.
- 1.6 Funding for the project was approved at the Executive Board in February 2013 for £14.930m. Subsequently, a tender process was undertaken through a framework agreement with Efficiency East Midlands and a decision taken for a mini tender to identify the preferred contractor. The successful tender was awarded to Frank Haslam Milan (now known as Keepmoat Ltd).

New Build – Contract Management

- 1.7 Monthly budget meetings are held between Finance and Asset Management to discuss the new build budget. Quarterly reports are presented to Executive Board detailing spend so far within the Capital Programme. The monthly budget reports were found to contain detailed information regarding expenditure against budget for each project. Each budget is given a 'Rag' rating indicating :-
- Red Urgent/decision is required.
 - Green Anticipated project will complete in line with budget.
 - Amber Indicates a small risk that the project may not be delivered as planned.
- 1.8 Budget reports are also presented to the Corporate Programme Board along with meetings held for Building a Better Nottingham.
- 1.9 Monthly meetings take place between the Valuer and representatives of the contractor. Monthly Contractor Reports are received from Keepmoat which detail performance and key information relating to the build. Weekly New Build team meetings are held which detail work in progress and action to be taken.
- 1.10 A sample of three valuation certificates was selected and reviewed to ensure they had been correctly authorised for payment. It was found that all certificates had been authorised by the Head of Development and Director of Property Services and had been approved in line with Financial Regulations.
- 1.11 From the sample of valuation certificates, testing was undertaken to ensure valuations had been checked and evidence could be seen of all charges being independently verified. The checks covered :-
- Materials on site
 - Measured work
 - Variations
 - Various fees i.e. Design Team, Utilities
- 1.12 Testing found varying results. Whilst supporting documentation had been received from Keepmoat for any fees, no evidence could be seen of materials on site being checked or measured work records. One variation could be supported by an authorised variation certificate while the remaining all had emails detailing the work required. Information for each of the valuation certificates selected was not held in one central file but had to be pulled from various files or emails. It is understood that a new approach has been adopted for more recent projects.

New Build – Contract Management

Opinion

- 1.13 We are required to provide an opinion on the adequacy and effectiveness of internal controls in relation to the area under review. Our opinion is based on the work performed as set out in the agreed Audit Brief. We are able to give **Significant Assurance** for the arrangements in this area.

Summary of Recommendations

- 1.14 Details of all of the issues arising from this review, along with our recommendations and management responses, are set out in the attached Action Plan.
- 1.15 Within the Action Plan we have assigned a priority ranking to each recommendation to reflect the degree of risk that the issue that they relate to pose in the context of the audited area and hence the urgency with which the recommended actions should be addressed. The recommendations are summarised as follows:

Priority	Number of Recommendations
High	
Medium	2
Low	
Total	2

Added Value

- 1.16 We have highlighted areas which we consider would benefit from further attention and suggested action.

Ref	Finding and Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
R1	<p>Evidence to support the Valuation Certificates could not always be located i.e materials on site or measurement of works records.</p> <p><u>Risk</u> There may be inadequate procedures in place for the checking of costs/progress.</p>	<p>For each valuation certificate a central file should be held.</p> <p>This should include:-</p> <p>Materials on site records</p> <p>Measurement of works records</p> <p>Sample of invoices selected by the Surveyor.</p>	Medium	<p>Currently documents are mainly kept electronically including all back up, progress reports are done on a weekly basis and valuations on a monthly basis which are fully valued in conjunction with standard practice and contractual obligations these will now also be saved in hard copy format in a central folder including back up with invoices which will cover the recommendations.</p> <p>Materials on Site reports will be done in addition to the Quantity surveyor check with valuations including photos and locations.</p>	<p>Derek Green</p> <p>12.06.16</p>
R2	<p>Not all variations could be supported by a variation certificate or authorised email.</p> <p><u>Risk</u> Unauthorised work may be</p>	<p>All variations should be documented and appropriately authorised.</p>	Medium	<p>All variations that form part of the valuation are instructed and signed off the the relevant authority levels via the valuation, monthly financial reporting is carried out</p>	<p>Derek Green</p> <p>12.06.16</p>

Ref	Finding and Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
	undertaken			and reported by the Quantity surveyor so that management are aware of the current financial situation and variations, records of this approval will be kept in the central file with the respective valuation.	

Client Responsibilities

- Whilst a number of recommendations are included in this report, it is the responsibility of management to determine the action that will be taken in response to each recommendation. Management should assess the risks to the objectives involved and the cost-effectiveness of the control improvements suggested
- It is expected that management will respond to this draft report within 10 working days of receipt.
- Management is responsible for ensuring that all agreed recommendations are implemented within the agreed timescales.

- Management should note that any recommendations that relate to Financial Regulations must be implemented unless a satisfactory business case has been agreed justifying why the recommendation will not be implemented.

Levels of Assurance

We use four categories to classify Internal Audit assurance over the processes examined, these are defined as follows:

High Assurance	High assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed. Our work found some low impact control weaknesses which, if addressed, would improve overall control. These weaknesses are unlikely to impair the achievement of the objectives of the system.
Significant Assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives and that controls are generally being applied consistently in the areas reviewed. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
Limited Assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
No Assurance	No assurance as weaknesses in control, or consistent non-compliance with key controls, could result in failure to achieve the organisation's objectives in the areas reviewed.

Where appropriate we may also comment on the level of assurance we can give that objectives will be met. This may apply when there are risks either partially or wholly outside of the control of management.

Categorisation of Recommendations

The recommendations within this report have been categorised by Internal Audit as:

High Priority	A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.
Medium Priority	A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.
Low Priority	The audited body is not exposed to any significant risk, but the recommendation merits attention.

In all cases Internal Audit will follow up implementation of the recommendations by the agreed date.



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Distribution List	
Issue Date:	23 rd March 2016
Issued to:	Darren Phillips - Assistant Director of Finance and Procurement
Copied to:	Jonathan Shaw - Director of Business Services

Contact Details:		
Head of Internal Audit	Shail Shah	Ext 64245
Audit Manager	Simon Parsons	Ext 64246
Senior Auditor	Peter Thompson	Ext 64244



<p>Organisation: Nottingham City Homes</p> <p>Previous Audit: March 2015 - NCC February 2014 - BDO</p>	<p>Overall Opinion</p> <p>High Assurance</p>		<p>Direction of Travel</p> <p>The process continues to be effective </p>
<p><u>Scope and Approach:</u> This review covered the budget setting and budget monitoring process.</p>			
<p>There are no recommendations resulting from this review</p>			

Introduction and Background

- 1.1 Nottingham City Homes (NCH) is the Arm's Length Management Organisation (ALMO) that manages Nottingham City Council's 29,000 homes and approximately 1000 leasehold properties. It is responsible for the day to day management of the homes including services such as tenancy management, rent collection and repairs. NCH also provides other services such as Nottingham on Call, Payment collection etc. We have reviewed the budgetary control process as part of the 2015/16 Audit Plan. As part of the scope we considered:
- The establishment of a timetable for setting the budget
 - The approval by the Board
 - Virements being reported to the board.
 - Reporting of the budgetary position to the Board

Key Findings

Budget Approval

- 1.2 We reviewed the Budget setting process for 2015-16 as part of our previous audit. However at that time the Board had not formally approved the budget and we are able to now confirm that the 2015-16 budget was approved on the 26th March 2016.
- 1.3 As part of this review we note that Resources Committee is no longer in operation and that all finance papers are submitted to the Board for noting and approval. On the 26th November, the Board approved the budget for 2016-17 and this is recorded in the minutes of Board meeting of 26th January 2016.

Budget monitoring

- 1.4 In 2013, Nottingham City Homes commenced using Oracle as its main financial system, however, the anticipated functionality, such as online reporting via management dashboards, is still awaited.

- 1.5 Budget Monitoring is continuing to take place with regular reports being submitted to management and the Board on a regular basis.

Opinion

- 1.6 We are required to provide an opinion on the adequacy and effectiveness of internal controls in relation to the area under review. Our opinion is based on the work performed as set out in the agreed Audit Brief. We are able to give **High Assurance** for the arrangements in this area because of the results of our testing.

Added Value

- 1.7 We have reviewed the budgetary control process and found them to be operating effectively. There are no recommendations.

Levels of Assurance

We use four categories to classify Internal Audit assurance over the processes examined, these are defined as follows:

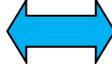
High Assurance	High assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed. Our work found some low impact control weaknesses which, if addressed, would improve overall control. These weaknesses are unlikely to impair the achievement of the objectives of the system.
Significant Assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives and that controls are generally being applied consistently in the areas reviewed. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
Limited Assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
No Assurance	No assurance as weaknesses in control, or consistent non-compliance with key controls, could result in failure to achieve the organisation's objectives in the areas reviewed.

Where appropriate we may also comment on the level of assurance we can give that objectives will be met. This may apply when there are risks either partially or wholly outside of the control of management.

Categorisation of Recommendations

The recommendations within this report have been categorised by Internal Audit as:

High Priority	A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.
Medium Priority	A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.
Low Priority	The audited body is not exposed to any significant risk, but the recommendation merits attention.

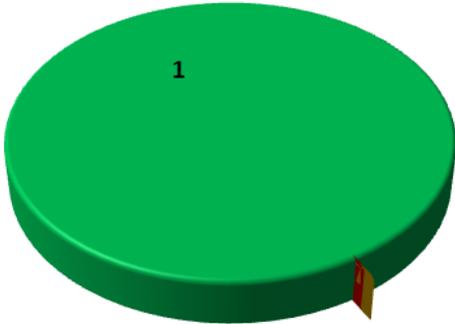
<u>Key to Opinion & Direction of Travel</u>					
<u>Overall Opinion</u>			<u>Direction of Travel</u>		
High Assurance		Limited Assurance		Improving	
Significant Assurance		No Assurance		No changes	
				Deteriorates	



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Distribution List	
Issue Date:	1 st April 2016
Issued to:	Jonathan Shaw, Director of Business Services
Copied to:	Steve Cooper, Project Manager Gas

Contact Details:		
Head of Internal Audit	Shail Shah	Ext 64245
Audit Manager	Simon Parsons	Ext 64246
Principal Auditor	Ann Ross	Ext 64235

<p>Organisation: Nottingham City Homes</p> <p>Previous Audits:</p> <p>Financial Systems 2014/15</p>	<p>Overall Opinion</p> <p>High Assurance</p>		<p>Direction of Travel</p> <p>No Changes</p> 
		<p><u>Scope and Approach:</u></p> <ul style="list-style-type: none"> • Access to Oracle; • Accounts Payable – raising orders, authorisation, and payment on time; • Accounts Receivable – supporting documentation 	
<p>There are no high recommendations resulting from this review</p>		<p><u>Summary of the recommendations by priority</u></p>  <p>■ High ■ Medium ■ Low</p>	

Introduction and Background

- 1.1 Nottingham City Homes (NCH) is the Arm's Length Management Organisation (ALMO) that manages around 27,000 homes and approximately 1000 leasehold properties on behalf of Nottingham City Council. It is responsible for the day to day management of the homes including services such as tenancy management, rent collection and repairs. NCH also provides other services such as Nottingham on Call, and payment collection.
- 1.2 Nottingham City Council (NCC) and Leicestershire County Council (LCC) formed a partnership (East Midlands Shared Services - EMSS) in 2011 to deliver HR, payroll and finance transactional shared services. It is supported by Oracle and although NCH use Oracle as their IT system, they have retained control of all financial systems processing.
- 1.3 Nottingham City Council (NCC) Internal Audit reported on payroll controls in December 2015, reliance will be placed on testing undertaken during this review.
- 1.4 The 2015/16 Internal Audit Plan contains a review of the financial systems in place for :-
 - Access to Oracle;
 - Accounts Payable – raising orders, authorisation, and payment on time;
 - Accounts Receivable – supporting documentation

Key Findings

- 1.5 NCH is responsible for controlling access to Oracle and new starters are set up with the level of access appropriate to their requirements. The arrangements in place for requesting and authorising access to Oracle are satisfactory and it is noted that the checklist used for leavers includes an action point for them to be terminated from Oracle. A sample of two leavers was selected and it could be verified that these had been removed from Oracle. A number of users have been allocated 'super user' responsibilities, this is considered appropriate considering the user's position within NCH.
- 1.6 A sample of ten purchase invoices was selected and tested to ensure that an order had been raised and had been appropriately authorised. Orders could be found in all cases, all had been appropriately authorised and all invoices had been paid promptly.

-
- 1.7 For one invoice selected for testing (Michael Pavis) further checks were undertaken to ensure prices charged agree to the original specified tender. It was noted that one item had not been included in the original contract, however, due to recommendations from the combination boiler manufacturer a filter was later added. Confirmation of alternative quotations could be evidenced.
- 1.8 Copper piping prices fluctuate on a monthly basis. Procurement team obtain the national index and this is communicated to the supplier and NCH Stores. The price charged on the Michael Pavis invoice did not agree to the index price at that point in time (November). It was confirmed by The Gas Project Manager that when raising orders for gas installations, individual checks are not undertaken for each item used. Rather an overall installation price is agreed and input into ROCC, this is then matched to the invoice.
- 1.9 A sample of five invoices raised by NCH was selected and tested to ensure that all charges could be supported by signed agreements/ financial information. The results showed:-
- 1 invoice related to an On-Call charge, the signed agreement could be located.
 - 1 invoice related to Stonebridge management and repairs fee, the original contract could be verified and the total charges confirmed to a spreadsheet.
 - 1 invoice was for the recharge of an employee to the Housing Revenue Account, confirmation of costs from the ledger could be confirmed.
- 1.10 2 of the invoices related to contributions towards the Homelink scheme. Spreadsheets could be found to verify the total charges.

Opinion

- 1.11 We are required to provide an opinion on the adequacy and effectiveness of internal controls in relation to the area under review. Our opinion is based on the work performed as set out in the agreed Audit Brief. We are able to give **Significant Assurance** for the arrangements in this area.

Summary of Recommendations

- 1.12 Details of all of the issues arising from this review, along with our recommendations and management responses, are set out in the attached Action Plan.

1.13 Within the Action Plan we have assigned a priority ranking to each recommendation to reflect the degree of risk that the issue that they relate to pose in the context of the audited area and hence the urgency with which the recommended actions should be addressed. The recommendations are summarised as follows:

Priority	Number of Recommendations
High	0
Medium	0
Low	1
Total	1

Added Value

1.14 We have reviewed the financial systems and found them to be operating effectively.

Ref	Finding and Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
2015-16 findings					
2015-16 01	<p>A check was undertaken on a suppliers invoice to ensure items charged are as the agreed contract.</p> <p>Copper piping prices are agreed on a monthly basis and reported to NCH suppliers. It was noted that the copper piping price did not agree to the monthly schedule.</p> <p><u>Risk</u> Prices are overstated.</p>	<p>The Gas Section should undertake a number of checks on a periodic basis to ensure the prices invoiced agree to the terms of the contract/indexed price.</p>	Low	<p>Current copper price index and changes are currently sent to stores manager by procurment team. These prices are uploded into ROCC but as an addition to this process they should now also be sent to gas team heating installations manager, the notification from procurment team will trigger check against price invoiced. Invoiving.</p>	<p>Steve Cooper/Kerrigan McManus</p> <p>Process to start immediately upon receipt of next price change notification.</p>

Client Responsibilities

- Whilst a number of recommendations are included in this report, it is the responsibility of management to determine the action that will be taken in response to each recommendation. Management should assess the risks to the objectives involved and the cost-effectiveness of the control improvements suggested
- It is expected that management will respond to this draft report within 10 working days of receipt.
- Management is responsible for ensuring that all agreed recommendations are implemented within the agreed timescales.

- Management should note that any recommendations that relate to Financial Regulations must be implemented unless a satisfactory business case has been agreed justifying why the recommendation will not be implemented.

Levels of Assurance

We use four categories to classify Internal Audit assurance over the processes examined, these are defined as follows:

High Assurance	High assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed. Our work found some low impact control weaknesses which, if addressed, would improve overall control. These weaknesses are unlikely to impair the achievement of the objectives of the system.
Significant Assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives and that controls are generally being applied consistently in the areas reviewed. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
Limited Assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
No Assurance	No assurance as weaknesses in control, or consistent non-compliance with key controls, could result in failure to achieve the organisation's objectives in the areas reviewed.

Where appropriate we may also comment on the level of assurance we can give that objectives will be met. This may apply when there are risks either partially or wholly outside of the control of management.

Categorisation of Recommendations

The recommendations within this report have been categorised by Internal Audit as:

High Priority	A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.
Medium Priority	A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.
Low Priority	The audited body is not exposed to any significant risk, but the recommendation merits attention.

In all cases Internal Audit will follow up implementation of the recommendations by the agreed date.

Nottingham City Homes Proposed Internal Audit Plan 2016-17:

ITEM 3.2

Ref to CRR	Area		Director	Days	QR1	QR2	QR3	QR4
3. Health & Safety	Health & Safety	Further review of H&S inspection regime to cover fire systems	George Pashley (Company Secretary)	5	5			
2. Financial	Asset management & Capital Programme	Review of the governance arrangements in place for the capital programme	Steve Hale (Property Services)	7	7			
5. Relationships	Nottingham on Call	Review of compliance with processes	Gill Moy	4				4
2. Financial	Leaseholder recharges	Revisit and test implementation of recommendations from 2015 report	Gill Moy	2	2			
5. Relationships	Highwood House	Review of temporary accommodation service	Gill Moy (Housing Services)	4		4		
1. Strategic Leadership	Risk associated with Board, planning or governance arrangements (CRR)	Review of the operation of stated controls in place to mitigate identified risks	George Pashley (Company Secretary)	6		6		
2. Financial	Repairs Service	Review of the new arrangements following Strategic Stores Review	Steve Hale	4		4		
2. Financial	Rents & Arrears Management	Application of Universal Credit landlord safeguards	Gill Moy	5			5	
2. Financial	Fleet Management	Vehicle activity and expenses monitoring arrangements	Steve Hale	4	4			
6. Employee Engagement	Human Resources	Testing of recruitment process, inc achievement of targets	George Pashley	6			6	
5. Relationships	Key Performance Indicators	Review of accuracy, data quality of a selection of KPIs	Jonathan Shaw	4			4	
5. Relationships	Supported Housing	Administration of Independent Living Scheme - compliance of process and care plans	Gill Moy (Housing Services)	4				4
9. Business Development	Other managed stock	Segregation of property and tenancy types	Jonathan Shaw	6				6
2. Financial	Budgetary Control & Financial Reporting	Review of budget setting and reporting arrangements.	Jonathan Shaw	2				2
2. Financial	Financial Systems	Testing of NCH transactions processed via Oracle	Jonathan Shaw	2				2
	- Follow up arrangements		Jonathan Shaw	2				2
	TOTAL			67	18	14	15	20

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NOTTINGHAM CITY HOMES**AUDIT COMMITTEE
11 APRIL 2016****REPORT OF THE ASSISTANT DIRECTOR OF
FINANCE AND PROCUREMENT****OUTSTANDING AUDIT RECOMMENDATIONS****1 SUMMARY**

- 1.1 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 Audit Recommendations Register. The audit register is reviewed by EMT on a quarterly basis.
- 1.2 The Audit Committee is required to oversee the timely implementation of all actions agreed by management in response to audit recommendations, in order to fulfil its responsibility to advise the Board on the effectiveness and adequacy of the Company's internal control arrangements.
- 1.3 The audit register includes a total of 38 audit recommendations of which 32 are still outstanding. A summary of the status of all audit recommendations, which were outstanding at the time of the previous Audit Committee meeting, is attached as Appendix 1 and details of all High priority recommendations are attached as Appendix 2.

2 RECOMMENDATIONS

It is recommended that Members:

- 2.1 Review the report and confirm they are satisfied with the progress made by management in implementing agreed actions.

3 REPORT

- 3.1 A summary of the Audit Register was provided to Audit Committee Members on 11 January and included a total of 26 recommendations. Of these recommendations 5 of the agreed management actions were logged as complete, leaving 21 outstanding.
- 3.2 The latest version of the Audit Register includes an additional 17 audit recommendations which, as per the respective Internal audit reports received by the Audit Committee at the previous meeting, were yet to be implemented:
- Governance: Freedom of Information (7 of 7);
 - Equality & Diversity (5 of 5) and
 - HR: Pay Policy Compliance (5 of 5).
- 3.3 Progress made by responsible officers in implementing audit register recommendations has been limited and of the total of 38 recommendations included on the register, only 6 have been fully implemented. Of the 32 recommendations still outstanding 21 have gone beyond the original target dates agreed for their implementation. The 2 High priority

recommendations still outstanding are included in Appendix 2.

4 FINANCE, LEGAL AND RISK IMPLICATIONS

4.1 Financial Implications

None noted.

4.2 Legal Implications

None noted.

4.3 Risk Implications

4.3.1 Recommendations 1 and 2 were raised by the Company's previous internal auditors BDO LLP and all subsequent recommendations by the current auditors – NCC Internal Audit Services. The priorities assigned to recommendations are defined as follows;

BDO LLP

- (1) High – Those that failure to address would result in a significant and unacceptable risk to the organisation arising or continuing.
- (2) Medium – Those that failure to address would result in a moderate risk to the organisation arising or continuing or relate to significant best practice improvements.
- (3) Low – Those that failure to address would result in a minor risk to the organisation arising or continuing or relate to moderate best practice improvements.

NCC IAS

- (1) High – A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.
- (2) Medium – A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.
- (3) Low – The audited body is not exposed to any significant risk, but the recommendation merits attention.

4.3.2 The 21 outstanding internal audit recommendations included on the Audit Register are split into the following priorities:

Priority Assigned by Internal Audit	Number of Recommendations
High Priority	2
Medium Priority	21
Low Priority	9
TOTAL O/S AUDIT RECOMMENDATIONS	32

4.3.3 None of the outstanding audit recommendations are deemed to significantly affect the 'impact' or 'likelihood' risk factors of any of the risks established in the Company's Corporate Risk Register.

5 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

5.1 The consistent application of recognised control procedures and a robust internal system of control underpins the achievement of the Company's objectives.

6 EQUALITY & DIVERSITY IMPLICATIONS

6.1 Has the equality impact of these proposals been assessed?

Yes (EIA attached)

No (this report does not contain proposals which require an EIA)

7 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

7.1 NCC Internal Audit Services Internal Audit reports (see paragraph 3.2).

7.2 Outstanding Audit Recommendations: Summary – Appendix 1.

7.3 Outstanding Audit Recommendations: High Priorities – Appendix 2.

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DATE: 4 April 2016

AUDIT RECOMMENDATIONS REGISTER SUMMARY - APPENDIX 1

Audit Report	Date of Issue	References	Recommendations / Agreed Management Actions				Priority of O/S Items		
			Total	Complete	Outstanding	O/S & Past Target Date	Hi (1)	Medium (2)	Low (3)
IT SECURITY & MOBILE TECHNOLOGY	MAY 2013	1	1	-	1	1	-	-	1
H&S: STAFF SICKNESS & POLICY	AUGUST 2013	2	1	1	-	-	-	-	-
IT: SYSTEMS ADMIN & ASSET MGT	SEPTEMBER 2014	3 to 5	3	-	3	3	-	2	1
GOVERNANCE & FRAUD	SEPTEMBER 2014	6	1	-	1	1	-	1	-
PROCUREMENT & CONTRACTS	DECEMBER 2014	7	1	-	1	1	-	1	-
BUSINESS CONTINUITY	JANUARY 2015	8 to 11	4	-	4	4	-	3	1
TENANTS INCENTIVE SCHEME	NOVEMBER 2014	12	1	1	-	-	-	-	-
RENT ARREARS & MANAGEMENT	SEPTEMBER 2015	13 to 15	3	1	2	2	-	2	-
LEASEHOLDER SERVICE CHARGES	OCTOBER 2015	16 to 19	4	1	3	3	1	2	-
ICT: ROCC ACCESS CONTROLS	SEPTEMBER 2015	20 to 21	2	-	2	2	-	-	2
LATEST AUDIT REPORTS AND OUTSTANDING RECOMMENDATIONS (PRESENTED AT JANUARY 2016 AUDIT COMMITTEE)									
GOVERNANCE: FOI	OCTOBER 2015	22 to 28	7	2	5	-	-	1	4
EQUALITY & DIVERSITY	DECEMBER 2015	29 to 33	5	-	5	-	-	5	-
HR: PAY POLICY COMPLIANCE	DECEMBER 2015	34 to 38	5	-	5	4	1	4	-
TOTALS			38	6	32	21	2	21	9

AUDIT REGISTER – HIGH PRIORITY OUTSTANDING AUDIT RECOMMENDATIONS

Audit & Date of Issue	REF	Recommendations	Priority	Initial Target Date	Agreed Mgt Response	Current Status	Responsible Officer (Revised Date)
LEASEHOLDERS SERVICE CHARGES OCTOBER 2015	17	The Leaseholder Service Charges module in the Northgate system should be reviewed to resolve the issue of account balances and to enable the accurate reporting of arrears.	High	End of November 2015	<p>A meeting has been arranged with the Assistant Director of ICT in order to investigate the options for amending the Leaseholder Service Charge module in Northgate.</p> <p>The system will be improved to enable accurate reporting of arrears balances.</p>	<p>As per 16 above.</p> <p>Although a review of the Northgate system is still being undertaken we have create a system outside Northgate to enable us to calculate account balances accurately and issue arrears letters.</p> <p>We have had a meeting with the auditor to review progress against the audit recommendations and he is pleased with the progress made, particularly in respect of arrears management.</p>	<p>Kay Frankson –Rent and Leasehold Service Manager</p> <p>(End of June 2016)</p>
HR: PAY POLICY COMPLIANCE DECEMBER 2015	R37	A review should be undertaken as to how NCH can mitigate the risk of unauthorised payments.	High	March 2016	A review will be undertaken and the outcomes implemented.	In progress.	<p>Caroline Foster – Interim Head of Organisational Development</p> <p>(April 2016)</p>

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