



**Report to:**

Northwards Housing Board  
8<sup>th</sup> May 2007

**Item No:**

**7e**

|  |                                    |                   |                      |
|--|------------------------------------|-------------------|----------------------|
| <b>Title:</b>                                | Internal Audit Annual Plan 2007-08 |                   |                      |
| <b>Date:</b>                                 | 13 <sup>th</sup> April 2007        |                   |                      |
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| <b>Confidential:</b>                         | No                                 |                   |                      |
| <b>For:</b><br>(Please tick action required) | <b>NOTING</b>                      | <b>DISCUSSION</b> | <b>APPROVAL</b><br>✓ |

**PURPOSE OF REPORT**

To bring the Internal Audit Annual Plan for 2007-08 to the Board for consideration and approval following agreement by EMT.

**RECOMMENDATION**

That the Board approve the Internal Audit Annual Plan 2007-08.

**IMPLICATIONS**

|                                  |   |
|----------------------------------|---|
| <b>Equality &amp; Diversity:</b> | None directly   |
| <b>Financial:</b>                | None directly   |
| <b>Staffing:</b>                 | None directly   |
| <b>Decency Target:</b>           | None directly   |
| <b>Governance:</b>               | The operation of the Internal Audit is a key part of overall Governance arrangements. |
| <b>Risk Assessment:</b>          | Not currently assessed as a primary risk area.  |

**Equality & Diversity Implications (Please tick where relevant):**

- |                                     |   |
|-------------------------------------|---|
| BME <input type="checkbox"/>        | Lesbian/Gay/Bisexual/Transgender <input type="checkbox"/> |
| Gender <input type="checkbox"/>     | Single Parents <input type="checkbox"/>                   |
| Age <input type="checkbox"/>        | Domestic Violence <input type="checkbox"/>                |
| Disability <input type="checkbox"/> | Alcohol / Drug Mis-users <input type="checkbox"/>         |

**Consultation/Consideration:**

|                          | <b>Yes, No or<br/>N/A:</b> | <b>Name:</b>     | <b>Date:</b>      |
|--------------------------|----------------------------|------------------|-------------------|
| <b>Sub-Committee:</b>    | No                         | Resource & Audit | Meeting cancelled |
| <b>Area Panel:</b>       | N/A                        |                  |                   |
| <b>Task Groups:</b>      | N/A                        |                  |                   |
| <b>Ward Councillors:</b> | N/A                        |                  |                   |



INFRASTRUCTURE & GOVERNMENT

## **Northwards Housing**

Internal Audit Report – Annual Plan 2007/08

5 April 2007

AUDIT

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# Section 1

## Strategic plan and annual plan

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### Strategic plan

A three-year strategic plan was prepared in 2006/07 covering the period 2006/07 to 2008/09. The strategic plan is set out in Appendix 2.

### Approach

The 2007/08 annual plan has been prepared with reference to:

- The strategic plan, and more specifically, the areas for audit included within the second year of the plan.
- Risks identified within the Company's current risk maps.
- Our knowledge to date of Northwards Housing in relation to key areas of activity and/or changes within the Company's operations.
- The results of the internal audit work undertaken in 2006/07, with specific regard to the key risks and areas of weakness identified from this work.
- Areas where external audit will be seeking to place reliance on the work of internal work, for example key financial systems.
- The requirements of the Government's Internal Audit Standards (GIAS).
- Discussions with management.

The findings of the review of the strategic plan are set out in Appendix 1.

### Annual plan

The plan has been structured to ensure that our reviews provide a service to the Resource and Audit Sub-Committee and the Company's managers by:

- Identifying and assessing the systems of internal control.
- Assessing compliance with established and expected standards of controls, procedures and legal requirements.
- Making recommendations designed to improve internal control. This approach allows us to examine all the key controls and also to identify value for money issues/opportunities within our systems work.

The 2007/08 annual plan is set out in Section 3.

### Audit follow up

For internal audit to be as effective as possible its recommendations need to be implemented. In order to provide assurance that this is the case, a provision of time is included within the plan to enable internal audit to monitor pro-actively the progress made towards implementing agreed audit recommendations.

## Section 2

# General

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### Timing of visits

Our proposal is to carry out the audit work in three visits, each lasting approximately two weeks.

The proposed dates of the visits and order of the system reviews is set out in Appendix 2.

A core team of two to three auditors will carry out each visit, with the work being supervised by Steve Gammon and managed by Helen Knowles.

### Reporting

As part of the detailed planning process we will:

- Review the Company's current risk map to identify relevant risks and controls.
- Seek the views of management regarding the scope of work.
- Consider best value implications and initiatives.

We will then:

- Produce a report for each piece of work undertaken.
- Issue draft reports to the relevant members of the management team in the first instance.
- Meet with the relevant members of the management team to agree the management responses.
- Issue final reports, including management responses, to the Director of Business Services and to the Resource and Audit Sub-Committee.
- Submit an annual report on internal audit coverage to the Resource and Audit Sub-Committee.

### Proposal

We propose that the Resource and Audit Sub-Committee approves the annual plan for 2007/08.

## Section 3

### 2007/08 annual plan

| Days (including review and reporting)               |           |
|---|-----------|
| Corporate Governance                                | 4         |
| Risk Management                                     | 3         |
| Strategic/business planning                         | 3         |
| Audit Commission Inspection                         | 1         |
| IT  | 4         |
| Tenancy and Estate Management                       | 5         |
| Budgetary Control and Cash Flow                     | 3         |
| Tenant Consultation                                 | 5         |
| General Ledger Controls                             | 3         |
| Asset Management and Stock Condition                | 4         |
| Partnering and Subcontractors                       | 4         |
| Reactive and Planned Maintenance                    | 4         |
| Follow up   | 3         |
| <b>Sub-Total</b>                                    | <b>46</b> |
| Annual plan and annual report                       | 2         |
| Management time                                     | 4         |
| Preparation/review of strategic plan                | 1         |
| Attendance at Resource and Governance Sub-Committee | 2         |
| <b>Total Days</b>                                   | <b>55</b> |

## Section 4

### Work programme for 2007/08

Our audit approach is designed to address the key priorities and risks facing Northwards Housing. The key areas will be established based on the Company's risk assessment, discussions with management and Board members, together with our own experience of working with other housing organisations. The scope of work for each area will include, where appropriate, coverage of the Audit Commission's KLOE's and value for money considerations. The plan set out below is summarised in Section 3. We propose the following:

| Key priority / risk  | Number of days | Summary Approach   |
|--|----------------|--|
| Establishing an appropriate and effective governance framework           | 8              | <ul style="list-style-type: none"> <li>Review of governance and strategic planning arrangements.</li> <li>Discussion and review of reporting processes, including transparency of decision making, delegations and information flow.</li> <li>Follow up of progress made by management to address the issues raised by the Audit Commission.</li> </ul>                              |
| Establishing effective financial and operational procedures and controls | 6              | <ul style="list-style-type: none"> <li>Controls review in key areas, including: <ul style="list-style-type: none"> <li>General ledger</li> <li>Budgetary control and cash flow</li> </ul> </li> </ul>  |
| Establishing robust IT systems and environment                           | 4              | <ul style="list-style-type: none"> <li>Review of general IT controls including: <ul style="list-style-type: none"> <li>IT strategy</li> <li>Access to systems</li> <li>Systems support</li> <li>Back up procedures and disaster recovery</li> </ul> </li> </ul>  |
| Embedding robust risk management framework                               | 3              | <ul style="list-style-type: none"> <li>Review of risk assessment process and documentation.</li> </ul>   |
| Asset management   | 12             | <ul style="list-style-type: none"> <li>Review of partnering and subcontracting arrangements, focusing on the costs of staffing the capital programme (in terms of achieving value for money and benchmarking performance against the sector).</li> <li>Review of asset management and stock condition.</li> <li>Review of controls over reactive and planned maintenance.</li> </ul> |
| Tenancy and estate management  | 10             | <ul style="list-style-type: none"> <li>Review of systems and controls over tenancy and estate management, including the management of anti-social behaviour.</li> <li>Review of tenant consultation arrangements.</li> </ul>   |
| Planning / management / reporting / follow up                            | 12             | <ul style="list-style-type: none"> <li>Annual / strategic plan, annual report, management, follow up.</li> </ul>   |
| <b>Total days</b>  | <b>55</b>      |  |

# Appendix 1

## Strategic Plan

|   | Year 1<br>2006/07 |           | Year 2<br>2007/08 |           | Year 3<br>2008/09 |           |
|---|-------------------|-----------|-------------------|-----------|-------------------|-----------|
|   | Original          | Revised   | Original          | Revised   | Original          | Revised   |
| <b>Corporate arrangements</b>                     |                   |           |                   |           |                   |           |
| Corporate Governance                              | 5                 | 5         | 4                 | 4         | 4                 | 4         |
| Risk Management                                   | 5                 | 4         | 3                 | 3         | 3                 | 3         |
| Strategic/business planning                       | -                 | -         | 4                 | 3         | -                 | -         |
| Performance Monitoring                            | 3                 | 3         | -                 | -         | 3                 | 3         |
| Service Level Agreements                          | 4                 | 4         | -                 | -         | -                 | -         |
| Audit Commission Inspection                       | 3                 | 3         | -                 | 1         | -                 | -         |
| <b>Business Development</b>                       |                   |           |                   |           |                   |           |
| Human Resources                                   | -                 | -         | 4                 | -         | -                 | -         |
| Health and safety                                 | -                 | 1         | -                 | -         | 3                 | 3         |
| IT  | 4                 | 4         | 4                 | 4         | 4                 | 4         |
| <b>Key financial controls</b>                     |                   |           |                   |           |                   |           |
| Budgetary Control and Cash Flow                   | 3                 | 3         | 3                 | 3         | 3                 | 3         |
| Payroll   | 3                 | 3         | -                 | -         | 3                 | 3         |
| General Ledger Controls                           | 4                 | 4         | 3                 | 3         | 3                 | 3         |
| Rent Accounting and Collection                    | 3                 | -         | -                 | -         | 3                 | 3         |
| <b>Property Services</b>                          |                   |           |                   |           |                   |           |
| Asset Management and Stock Condition              | -                 | -         | 4                 | 4         | -                 | -         |
| Delivery of Improvement Programme                 | 4                 | 4         | -                 | -         | 4                 | 4         |
| Partnering and sub-contractors                    | -                 | -         | 4                 | 4         | 2                 | 2         |
| Reactive and planned maintenance                  | -                 | -         | 4                 | 4         | 4                 | 4         |
| Procurement                                       | 3                 | 3         | -                 | -         | 3                 | 3         |
| <b>Neighbourhood Services</b>                     |                   |           |                   |           |                   |           |
| Arrears management                                | 3                 | 3         | -                 | -         | 3                 | 3         |
| Lettings and voids management                     | 3                 | 3         | 2                 | -         | -                 | -         |
| Tenancy and estate management                     | -                 | -         | 3                 | 5         | -                 | -         |
| Tenant consultation                               | -                 | -         | 3                 | 5         | -                 | -         |
| <b>Planning/Control/Reporting</b>                 |                   |           |                   |           |                   |           |
| Follow up   | -                 | -         | 3                 | 3         | 3                 | 3         |
| Annual plan and annual report                     | 2                 | 2         | 2                 | 2         | 2                 | 2         |
| Preparation/review of strategic plan              | 3                 | 3         | 1                 | 1         | 1                 | 1         |
| Management time                                   | 3                 | 3         | 4                 | 4         | 4                 | 4         |
| Attendance at Resource and<br>Audit Sub-Committee | 2                 | 2         | 2                 | 2         | 2                 | 2         |
| <b>Total Days</b>                                 | <b>60</b>         | <b>57</b> | <b>57</b>         | <b>55</b> | <b>57</b>         | <b>57</b> |

## Appendix 2

### Proposed visit dates and reporting timetable

| Date of Visit  | Draft reports to be issued by | Final report to be issued by | Resource & Audit Sub-Committee Date |
|--|-------------------------------|------------------------------|-------------------------------------|
| <b>Visit 1 – 2 weeks commencing 6 August 2007</b><br>Tenancy and estate management<br>Tenant consultation<br>Partnering and subcontractors   | <b>w/c 3.9.07</b>             | <b>w/c 17.9.07</b>           | <b>To be arranged</b>               |
| <b>Visit 2 – 2 weeks commencing 12 November 2007</b><br>Strategic/business planning<br>General ledger controls<br>Audit Commission Inspection follow up<br>IT<br>Budgetary control and cash flow | <b>w/c 10.12.07</b>           | <b>w/c 31.12.07</b>          | <b>To be arranged</b>               |
| <b>Visit 3 – 2 weeks commencing 28 January 2008</b><br>Reactive and planned maintenance<br>Corporate governance<br>Risk management<br>Asset management and stock condition<br>Follow up          | <b>w/c 25.1.08</b>            | <b>w/c 10.3.08</b>           | <b>To be arranged</b>               |