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# Dacorum Borough Council
# Final Internal Audit Report
# Housing Register and Housing Allocations

## May 2017

This report has been prepared on the basis of the limitations set out on page 11.

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| Distribution List: | Key Dates: | |
|---|---|---|
| Laura Brennan – Housing Advice and Allocations Lead Officer | Date of fieldwork: | March 2017 |
| Natasha Brathwaite – Group Manager (Strategic Housing) | Date of draft report: | May 2017 |
| Elliot Brooks – Assistant Director (Housing) | Receipt of responses: | May 2017 |
| Dave Skinner – Assistant Director (Finance and Resources) | Date of final report: | May 2017 |
| Mark Gaynor – Corporate Director (Housing and Regeneration) (Final Report Only) | | |
| James Deane – Corporate Director (Finance and Operations) (Final Report Only) | | |
| Sally Marshall – Chief Executive (Final Report only) | | |

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# 1. Executive Summary

## 1.1. Background

As part of the Internal Audit Programme for 2016/17, we have undertaken an audit of the Council's systems of internal control in respect of the housing register and housing allocations.

## 1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over the housing register and housing allocations, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Policies and Procedures; Housing Register Applications; Maintenance of Housing Register; Advertising Properties; Assessment of Bids and Verification of Applicants; and Offers and Communication of Offers.

## 1.3. Summary Assessment

Our audit of the Council's internal controls operating over the housing register and housing allocations found that there is a sound system of internal control designed to achieve the system objectives. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

| Evaluation Assessment | Testing Assessment |
| --- | --- |
| Full | Substantial |

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over the housing register and housing allocations are shown in Section 3.

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### 1.4. Key Findings

We have raised one Priority 2 recommendation and two Priority 3 recommendations where we believe there is scope for improvement within the control environment. The recommendations raised have been set out below:

- Allocation Spreadsheet (Priority 3)
- Approval for Allocation – Retention of approval forms (Priority 2)
- Notes in Abritas (Priority 3)

In addition to this audit work, a separate fact finding exercise was undertaken during 2016 as a result of a referral. From the fact finding work, a sample of 131 applications were examined and no issues were identified from these cases.

Full details of the audit findings and recommendations are shown in Section 4 of the report.

### 1.5. Management Response

We received the management responses in a timely manner and these have been included in the main body of the report.

### 1.6. Acknowledgement

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

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# 2. Scope of Assignment

## 2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Housing Register and Housing Allocations, with regards to the areas set out in section 2.3, are adequate and being consistently applied.

## 2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- Discussions with key members of staff to ascertain the nature of the systems in operation;

- Evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;

- Identification of control weaknesses and potential process improvement opportunities;

- Discussion of our findings with management and further development of our recommendations; and

- Preparation and agreement of a draft report with the process owner.

## 2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

**Policies and Procedures;**

To ensure that there is a consistent and coordinated approach to maintenance of Housing Registers and allocation of housing that is aligned with the corporate strategy. Comprehensive, up to date and documented policies and procedures are in place and these are communicated to staff, enabling them to act in compliance with legislative and management requirements.

**Housing Register Applications;**

To ensure that all applications for the housing register are administered promptly in a consistent and fair manner in accordance with the Council's policy.

To ensure that the outcome of the application is communicated in a complete, accurate and timely manner.

**Maintenance of Housing Register;**

The housing register is reviewed periodically to ensure that offers are made to the correct bidders who continue to have valid and adequate level of housing needs.

**Advertising Properties;**

Properties becoming available are advertised in a timely manner and property information publicised are complete and accurate.

**Assessment of Bids and Verification of Applicants;**

Bids are assessed in a complete, accurate, valid and timely manner in accordance with the Council's policy and based on the applicants' housing needs.

Applicants' eligibility and needs are verified before any offers are made and robust checks are carried out to validate the applicant's claims regarding their circumstances and housing needs.

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There is a segregation of duties and offer decisions are subject to review by a senior officer independent of the assessment process.

**Offers and Communication of Offers;**

Offers are made in a complete, accurate and timely manner in accordance with the Council's policy and the outcome of the bidding and verification.

# 3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

| Control Objectives Assessed | Design of Controls | Operation of Controls | Recommendations Raised |
|---|---|---|---|
| Policies and Procedures | ✔ | ✔ | |
| Housing Register Applications | ✔ | ✔ | |
| Maintenance of Housing Register | ✔ | ✔ | |
| Advertising Properties | ✔ | ≈ | Recommendations 1 and 2 |
| Assessment of Bids and Verification of Applicants | ✔ | ✔ | |
| Offers and Communication of Offers | ✔ | ≈ | Recommendation 3 |

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

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# 4.  Observations and Recommendations

**Recommendation 1:** Allocation Spreadsheet (Priority 3)

| **Recommendation** |
| --- |
| A contingency plan should be put in place to ensure continuity of the allocation process in case of any future spreadsheet crashes. One of the possible solutions include maintaining a backup copy of the spreadsheet in addition to the live master file in the team's shared holder. The backup copy should be clearly marked as such to ensure that staff work off the live master file. |
| **Observation** |
| Once an advertisement on a property has closed, Allocations Officers have a target of four days to find a match for a property, verify the applicants' details and allocate the property to the successful applicant.<br><br>A sample of 10 properties which were advertised or direct offered were reviewed and it was identified that in one case, the property was not allocated to the successful applicant for nine days. This delay was due to technical issues when the allocation spreadsheet crashed and some data was lost during the recovery process. The Housing Advice and Allocations Team Leader explained that they are currently exploring an option to extend the Abritas' function and move away from the use of separate spreadsheet.  However, there is a cost implication and a decision has yet to be made on this.  Due to the potential risk of the issue recurring, a contingency plan should be put in place.<br><br>Where Allocations Officers are reliant on one spreadsheet without a backup copy and the data is not fully recovered from a recovery process, there is a risk that the allocation process may be delayed. |
| **Responsibility** |
| Strategic Housing Team Leader |
| **Management response / deadline** |
| Crashing of the spreadsheet is rare, however the service is keen to mitigate any risk of lost data and/or delays to allocations, which could subsequently lead to loss of income.  The Team Leader is currently investigating options available with IT to establish a back up file of the current spreadsheet.<br><br>Expected completion date - June 2017. |

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**Recommendation 2: Approval for Allocation (Priority 2)**

| |
|---|
| **Recommendation** |
| Prior to offers being made to applicants, the housing allocation approval forms should be completed and approved by a senior officer. This form should be evidenced in Abritas in the documents section for each successful applicant. |
| With regards to the exception outlined below, this should be investigated to identify why the approval form was not completed/not uploaded to Abritas and if required, corrective action should be implemented to ensure this error does not reoccur. |
| **Observation** |
| Prior to an allocation being completed and an offer being made, allocations officers are required to complete a 'housing allocation approval' or a 'direct offer allocation approval' form. This needs to be reviewed and approved by a Lead Officer, or another senior member of staff in their absence. This form should then be scanned and uploaded to the documents section for the successful applicant in Abritas. |
| A sample of 10 allocations was reviewed and it was identified that in one case, there was no evidence of the housing allocation approval form being completed or uploaded to Abritas. We were unable to establish the reason for this exception at the time of the audit. |
| Where approval forms are not completed and retained on Abritas, there is a risk that inappropriate allocations may be made. This may result in inefficient use of housing stock, and reputational damage to the Council. |
| **Responsibility** |
| Strategic Housing Team Leader |
| **Management response / deadline** |
| Of the allocations reviewed it is correct that in one case the appropriate approval form was not scanned to the system. This has been further investigated by the Lead Officer and Team Leader and it has been confirmed that this relates to an allocation completed by a member of staff, who after the period that the allocation was made was subject to capability proceedings as a result of action taken due to poor performance. The service has now amended procedures following the audit and each time an allocation has been signed off there is an additional sign off by way of a date and author stamped note entered onto the system CRM to confirm that we have seen and authorised the allocation and whether it was a CBL or direct offer. |
| Implemented |

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**Recommendation 3: Notes in Abritas (Priority 3)**

| Recommendation |
| --- |
| The correct reasoning with sufficient details should be recorded in Abritas to identify why applicants have been skipped in a shortlist. |

| Observation |
| --- |
| When applicants in a shortlist are being skipped, the Officer processing the application is required to note a reason in Abritas, such as 'offered another property' or 'non-engagement with services'.<br><br>A sample of 15 offers was tested and in two cases it was identified that the notes attached to these properties stated that other applicants had been skipped for 'effective management of stock'. Examination of these cases confirmed that the other applicants had either been skipped for not providing evidence, or because the property stated preference to a different type of applicant, or the applicant had refused the property. However, the reasons for skipping other applicants were not annotated within the notes other than 'effective management of stock'.<br><br>Where the notes in Abritas do not clearly outline the reasons for skipping applicants, there is a risk that the reasoning behind decisions made will not be easily identifiable and may result in wasted time in case of future queries. |

| Responsibility |
| --- |
| Strategic Housing Team Leader |

| Management response / deadline |
| --- |
| The service will make further investigations with the system provider to determine if there are additional reasons that can be added to the system to ensure that the reasoning behind decision is easily identifiable.<br><br>Estimated completion September 2017. |

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# Appendix A - Reporting Definitions

## Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

| Level | Symbol | Evaluation Assessment | Testing Assessment |
|---|---|---|---|
| **Full** | | There is a sound system of internal control designed to achieve the system objectives. | The controls are being consistently applied. |
| **Substantial** | | Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk. | There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk. |
| **Limited** | | Weaknesses in the system of internal control design are such as to put the system objectives at risk. | The level of non-compliance puts the system objectives at risk. |
| **Nil** | | Control is generally weak leaving the system open to significant error or abuse. | Significant non-compliance with basic controls leaves the system open to error or abuse. |

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

## Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

| Level | Definition |
|---|---|
| **Priority 1** | Recommendations which are fundamental to the system and upon which the organisation should take immediate action. |
| **Priority 2** | Recommendations which, although not fundamental to the system, provide scope for improvements to be made. |
| **Priority 3** | Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed. |
| **System Improvement Opportunity** | Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system. |

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# Appendix B - Staff Interviewed

The following personnel were consulted:

- Natasha Brathwaite       -       Group Manager, Strategic Housing
- Laura Brennan        -       Housing Advice and Allocations Lead Officer
- Bardine Jackson       -       Housing Allocations Officer
- Elizabeth Budd        -       Housing Advice Officer

We would like to thank the staff involved for their co-operation during the audit.

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# Statement of Responsibility

We take responsibility to Dacorum Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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