

Audit follow up of Housing Improvements (Homelife Scheme)

Draft Report Issued: 8th September 2017

Director Draft Issued: 6th October 2017

Final Report Issued: 16th October 2017



Audit Report Distribution

Client Lead:	Scott Burns, Regulatory Services Manager
Chief Officer:	Mark Lambert, Director of Corporate of Governance and Regulatory Service
Audit Committee:	The Audit Committee, which is due to be held on 12 th January 2018 will receive summary findings and recommendations from this audit.

Executive Summary

1.0 Background

- 1.1. This report summarises the findings from a follow up audit of Housing Improvements (Homelife Scheme). This was an internal audit review included in the 2017/18 risk-based audit plan agreed by the Audit Committee on 16th March 2017.
- 1.2. The original audit was finalised in August 2016, resulting in a conclusion of **Partial Assurance** and **12** recommendations. A management action plan was completed detailing agreed actions, responsible manager and implementation dates to address the recommendations (**Appendix A**). This follow-up report provides an update on progress made against this action plan.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk based audit approach has been applied which aligns to the five key audit control objectives. Detailed findings and recommendations are reported within section 5 of this report.
- 2.3 The Client Lead was asked to provide an update on progress made implementing the agreed actions. Internal Audit then undertook testing as necessary to confirm that actions have been fully implemented and that controls are working as intended to mitigate risk.

Audit Scope and Limitations.

- 2.4 The original scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following areas:
 - Evaluating the scheme's success, customer eligibility and benefits to other parties / partnering bodies;
 - Securing the current and future funding position of the scheme.
- 2.5 It is the responsibility of management to monitor the effectiveness of internal controls to ensure they continue to operate effectively.
- 2.6 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.

- 3.2 Where the findings of the follow up confirm that actions have been successfully implemented and controls are working effectively, the internal audit assurance opinion may be revised from that provided by the original audit.
- 3.3 From the areas examined and tested as part of this follow up review we consider the current controls operating within Housing Improvements (Homelife Scheme) provide **Substantial** assurance (revised from **Partial** Assurance).

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**.
- 4.2 The previous audit included 12 recommendations (See **Appendix A**) of which:
- Nine agreed actions have been successfully implemented.
 - One agreed actions has been partially implemented.
 - Two agreed actions have not been implemented as processes have changed and the recommendations are no longer necessary.
- 4.3 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in **Appendix B**.
- 4.4 **Findings Summary:**
Good progress has been made against the action plan, with nine of the recommendations now implemented. The High Priority recommendation has been fully addressed and management have demonstrated that planning and evaluation is now in place to support the schemes.

There is still progress required to complete the reconciliation work between the Homelife electronic system and the main accounting system. Reconciliations are carried out and explanations are in place for differences so that management are able to monitor the situation.

Comment from the Corporate Director of Governance and Regulatory Services

Report noted. Thank you to all staff involved in the improvements described and for the transition to the new management arrangements now operating.

5.0 Summary of Recommendations, Audit Findings and Report Distribution

Recommendation 1 – Service Objectives

- 4.1.1 The original audit highlighted the need to have arrangements in place to ensure that all key objectives are clearly documented and that these are then used as a basis for determining staff objectives.
- 4.1.2 The key objectives for Homelife are now set out in the Service Plan for Regulatory Services.
- 4.1.3 Staff appraisals have been undertaken and evidence was seen to support that these followed the corporate approach and that the key objectives of the service are adequately reflected.
- 4.1.4 Management now have arrangements in place to ensure key objectives are documented.

4.2 Recommendation 2 – Service Risks

- 4.2.1 It was highlighted previously that there are no arrangements in place to ensure that risks are recorded, managed or reviewed in line with the Council's risk management policy.
- 4.2.2 The operational risk register for Homelife is now included within the Regulatory Services service plan and is in accordance with the authority's Risk Management Policy. The service plan was approved and the risks relating to Homelife have been considered. The risk register was reviewed on Project Server and had been recently updated (July 2017).
- 4.2.3 Procedures are now in place and risks are managed in accordance with the corporate policy.

4.3 Recommendation 3 – Business Planning and Self-Financing

- 4.3.1 The previous audit concluded that arrangements were not in place to ensure that an appropriate level of planning and evaluation was in place to support the development and delivery of the schemes and their objectives.
- 4.3.2 A Homelife options paper was considered by Joint Management Team (JMT) in September, the options paper and the agenda from JMT were obtained and demonstrated that an appropriate level of planning and evaluation is in place to now support the scheme. The options paper was approved and following this the fees and charges were presented to Full Council in Feb 17 where they were also approved.
- 4.3.3 Management have demonstrated that planning and evaluation is in place to support the schemes.

4.4 Recommendation 4 – Staff Guidance / Management Assurances over Work Undertaken

- 4.4.1** Issues were raised during the audit that there were no procedure notes in place for all areas of work for officers responsible for the delivery of the Homelife scheme.
- 4.4.2** Clear guidance notes are now available to all necessary officers. There are only 2 members of staff working within Homelife at present and both were aware of where to locate the guidance. The forms are specific to the schemes and set out all the necessary details and evidence required to support claims
- 4.4.3** Management have defined the responsibilities of officers and the processes to be followed.

4.5 Recommendation 5 – Quarterly Business Meetings

- 4.5.1** The audit highlighted that roles and authorities of one of the governance groups was not clearly defined or documented.
- 4.5.2** Since the audit the quarterly business meetings referred to in the recommendation have not continued in 2016/2017 so the recommendation raised is not required to be followed up. Arrangements in place for the governance of the Homelife scheme.

4.6 Recommendation 6 – Quarterly Business Meetings

- 4.6.1** The previous audit recommended that arrangements should be put in place to ensure that evidence of decisions made and scrutiny undertaken is retained and that responsibilities for this are clearly defined and understood.
- 4.6.2** Management have since improved arrangements in place ensure that evidence of decisions made and scrutiny undertaken is retained and that responsibilities for this are clearly defined and understood.
- 4.6.3** Audit testing has confirmed that Homelife is represented at the Regulatory Services Team meeting and that decisions are documented.
- 4.6.4** Management have arrangements in place ensure that evidence of decisions made and scrutiny undertaken is retained and that responsibilities for this are clearly defined and understood.

4.7 Recommendations 7 & 8 – Charges

- 4.7.1** The audit highlighted that the fees and charges have not been presented to the executive for approval since 2014/15.
- 4.7.2** The Fees and charges structures were finalised and these were included in the annual Fees and Charges reports for approval by Full Council. These were approved appropriately.
- 4.7.3** Fees and Charges structures are finalised and appropriately approved. Evidence of the rates charged is retained and readily available to all necessary officers.

4.8 Recommendation 9 – Funding Applications

- 4.8.1** Findings from the audit concluded that there was no mechanism in place to ensure the use and retention of key documents in relation to external funding applications.
- 4.8.2** Since the audit corporate forms have been introduced as part of grant funding documents and management ensure compliance with the Council's Grant Claims and External Funding Guidance.
- 4.8.3** Funding forms are held securely and centrally and the digital information is retained on secure Case Manager software.

4.9 Recommendation 10 – Records Retention

- 4.9.1** The audit identified issues with information retention and varying working practises.
- 4.9.2** Since then the retention policy for the Homelife grants has been approved and maintained on the project server. Controls are in place to ensure documentation is retained in accordance the policy.

4.10 Recommendation 11 – System reconciliation

- 4.10.1** The audit raised concerns over the controls in place to ensure that all work completed is invoiced.
- 4.10.2** All work undertaken is recorded in the HIA case manager system, and once the work is completed an internal charge sheet is raised manually. Work is under way between the Homelife system and the authority's main accounting system. Finance staff meet regularly with Homelife staff and reconciliation work takes place to keep the two systems. Explanations are in place for the difference so that management are able to monitor the situation
- 4.10.3** Considerable progress has been made in ensuring that all completed work is billed and cross service work is taking place to develop systems to assist the process in the future.

4.11 Recommendation 12 – Customer Feedback

4.11.1 The audit highlighted that there was no mechanism in place to collate, report and use feedback received from customers.

4.11.2 Since the audit the “the Keepsafe” work has ceased, it was this area which required the feedback forms to be completed, therefore this recommendation is no longer necessary as there is no regulatory requirement.

Appendix A – Original Management Action Plan

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
Recommendation 1: Management should have arrangements in place to ensure that all key objectives are clearly documented and that these are then used as a basis for determining individual staff objectives.	Medium	<ul style="list-style-type: none"> • Key service objectives are not identified and defined; • Failure to achieve service objectives; • Lack of forward planning and direction for the service 	Homelife Plan including key objectives is to be included in the Environmental Health and Housing Service Plan.	Regulatory Services Manager	07 / 2016	Yes
Recommendation 2: Management should ensure they have arrangements in place to ensure risks are recorded, managed and reviewed in line with the Council's risk management policy.	Medium	<ul style="list-style-type: none"> • Non-compliance with corporate risk management arrangements; • No evidence risks have been identified and are being managed; • Objectives are not achieved because risks are not effectively managed; • Irregular review may lead to a change in risk which goes unidentified / unreported to management; • Risks are not appropriately escalated. 	Risk Management included in both the Service Plan and also on the operational risk register. To be updated quarterly.	Regulatory Services Manager	07 / 2016	Yes

Recommendation 3: Management should have arrangements in place to ensure, and demonstrate, that an appropriate level of planning and evaluation is in place to support the development and delivery of schemes and their objectives.	High	<ul style="list-style-type: none"> • Failure to achieve objectives; • Rationale behind decisions unclear; • Schemes become unviable. 	Should Homelife continue Management should have arrangements in place to ensure, and demonstrate, that an appropriate level of planning and evaluation is in place to support the development and delivery of schemes and their objectives. post 2016 / 17 a clear Business Plan including funding sources will require approval. A draft options paper for 2017/18 is a target within the 2016/17 Service Plan.	Regulatory Services Manager	09 / 2016	Yes
Recommendation 4: Management should have a mechanism in place to ensure that work is undertaken as expected after having defined requirements and clearly informed staff of these e.g. requirements regarding evidence of eligibility for funding.	Medium	<ul style="list-style-type: none"> • Staff unclear of requirements; • Inconsistent working practices; • Work not undertaken as envisaged; • Council liable to repay funding; • Lack of due diligence. 	HIA Team leader is producing procedures now for work areas and also coordinating the delivery of the various Homelife 2016 / 17 schemes. The Service Plan is confirming those	Regulatory Services Manager	07 / 2016	Yes

			reporting obligations required under the various schemes. The quarterly report for Keepsafe has been finalised and sent through to the OPCC in June 16.			
Recommendation 5: Management should ensure that the role and authority of governance groups are clearly defined and documented.	Medium	<ul style="list-style-type: none"> • Lack of clarity on the role of the meetings; • No evidence of an appropriate level of scrutiny / discussions held; • No evidence of decisions taken. 	Minutes have been found for the Quarterly Business Meetings for 15th May 2013 but it does not appear minute taking continued for recent meetings where agendas and papers have been found.	Regulatory Services Manager	09 / 2016	N/A
Recommendation 6: Management should have arrangements in place to ensure that evidence of decisions made and scrutiny undertaken is retained and that responsibilities for this are clearly defined and understood.	Medium	<ul style="list-style-type: none"> • Lack of clarity on the role of the meetings; • No evidence of an appropriate level of scrutiny / discussions held; • No evidence of decisions taken. Lack of clarity on the role of the meetings; • No evidence of an appropriate level of scrutiny / discussions held; • No evidence of decisions taken. 	A Homelife Plan, including key objectives, is to be included in and performance monitored through the Environmental Health and Housing Service Plan. The Options Paper for Homelife 2017 / 18, which is an objective of the service plan for September 2016, will lead to the re-	Regulatory Services Manager	09 / 2016	Yes

			establishment of the monitoring and governance roles should a viable option for continuation be approved.			
Recommendation 7: Management should ensure that evidence to support rates charged is retained and readily available.	Medium	<ul style="list-style-type: none"> • Basis for charges cannot be demonstrated; • Lack of scrutiny of charges; • Charges not correctly approved; • Lack of compliance with Council policy. 	The fees and charging structures are being finalised and will be included in both the options paper and the annual Fees and charges reports for approval at Full Council	Regulatory Services Manager	09 / 2016	Yes
Recommendation 8: Management should ensure that all charges are reviewed and approved in line with Council policy.	Medium	<ul style="list-style-type: none"> • Basis for charges cannot be demonstrated; • Lack of scrutiny of charges; • Charges not correctly approved; • Lack of compliance with Council policy. 	The fees and charging structures are being finalised and will be included in both the options paper and the annual Fees and charges reports for approval at Full Council	Regulatory Services Manager	09 / 2016	Yes
Recommendation 9: Management should have a mechanism in place to ensure the use and retention of key documents in relation to external funding applications.	Medium	<ul style="list-style-type: none"> • Non-compliance with Council policy; • Inappropriate decisions made; • Council liable to repay funds. 	Centralised filing will ensure future funding forms and approvals are easy to locate.	Regulatory Services Manager	09 / 2016	Yes

Recommendation 10: Management should have arrangements in place to ensure a consistent approach to record retention.	Medium	<ul style="list-style-type: none"> • Inconsistent working practices; • Information cannot be located in staff absence; • Reputational damage. 	Management to confirm a policy covering a consistent approach to record retention.	Regulatory Services Manager	09 / 2016	Yes
Recommendation 11: Management should have arrangements in place to ensure that all work undertaken is billed.	Medium	<ul style="list-style-type: none"> • Loss of income; • Incorrect information recorded. 	Management to confirm a policy covering a consistent approach to record retention.	Regulatory Services Manager	08 / 2016	In Progress
Recommendation 12: Management should ensure there is a mechanism in place to collate report and use feedback received from customers.	Advisory	<ul style="list-style-type: none"> • Lack of service improvement; • Inefficient use of resources if information not used; • Reputational damage. 	100% customer feedback to be sought and reported for all Keepsafe and Minor Works undertaken. To confirm in the Service Plan the remaining schemes feedback process.	Regulatory Services Manager	08 / 2016	N/A

Appendix B

Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Improvements, if any, are of an advisory nature in context of the systems and operating controls & management of risks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	<p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high priority matters for address.</p>
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>

Appendix C

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations used; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).