

APPENDIX A: RISK BASED SYSTEMS AUDIT REPORT SUMMARIES

Environmental Protection & Housing

Schedule A (1)

1.1 Introduction

- 1.1.1 The audit of Public Protection forms part of the agreed 2014/2015 Internal Audit plan. A review of Public Protection has not been undertaken for some time and therefore it has been included in the 2014/2015 Audit Plan.
- 1.1.2 Public Protection in Havering comprises the Council's Environmental Health, Licensing and Trading Standards functions.
- 1.1.3 Complaints / service requests are received within the Environmental Protection and Housing Division of Public Protection regarding:
- private sector housing disrepair and living conditions (including overcrowding);
 - houses in multiple occupation (HMOs);
 - land, air and water pollution;
 - statutory nuisances (such as noise); and
 - other public health matters (including drainage, pest advice etc.).
- 1.1.4 Environmental Protection and Housing have to investigate these complaints in accordance with legislation, the principal Acts being:
- Environmental Protection Act 1990;
 - Housing Act 2004;
 - Public Health Acts; and
 - Prevention of Damage by Pests Act 1949.
- 1.1.5 The following service requests have been received in the Environmental Protection & Housing Division over the past three years:

Service Request	2010 - 2011	2011 -2012	2012 - 2013
Smoke, Odour, Dust & Light	327	309	385
Air Quality	36	42	41
Contaminated Land	62	83	51
Housing	553	634	592
Filthy & Verminous Premises	48	75	136
Drainage	230	141	96
Noise	1,119	950	715
TOTALS	2,375	2,234	2,016

1.2 Objectives and Scope

- 1.2.1 The objective of the audit is to provide Authority's management and the Audit Committee with assurance on the effectiveness of the system of internal control operating within the Environmental Protection & Housing Division of Public Protection. The system of internal control operates to:
- Ensure compliance with legislation, sector specific guidance, best practice and the organisations policies and procedures;
 - Ensure that functions of the Environmental Protection & Housing Division are administered in an effective manner; and

- Produce accurate, relevant and timely management information.
- 1.2.2 The audit will concentrate on examining the internal control environment applied to mitigate the following potential risks:
- Delivery of service is not in accordance with relevant legislation, sector specific guidance, best practice and the organisation's policies and procedures
 - Service requests are not being recorded, prioritised and / or processed correctly;
 - Mechanisms and indicators to facilitate performance monitoring are not established, poor performance is not detected; and
 - Decisions are based on incomplete, inaccurate or untimely management information.

1.3 Summary of Audit Findings

- 1.3.1 At the time of the review the service did not have a strategy document that ensures it is compliant with legislation and service requirements. However, the Environmental Protection & Housing Divisional Manager is in the process of developing a Service Summary / Mission Statement.
- 1.3.2 There are several procedure documents in operation at present. However, most are currently under review by the Environmental Protection & Housing Divisional Manager.
- 1.3.3 The majority of documents do show Document Owner, Effective Date, Review Date and Version Number. However, there are some documents that don't possess this information; it is therefore not possible to ascertain who the document owner is in the event of a query, or if the document is the current version.
- 1.3.4 Staff have been trained with necessary training. However, there have been process issues which are currently being addressed via PDR's and weekly / monthly meetings. The Environmental Protection & Housing Divisional Manager has also implemented a 'Standard Objective' for all her staff to ensure that all cases and actions allocated within APP are progressed appropriately.
- 1.3.5 Inconsistent address details for Private Sector Housing (Environmental Health) and Public Protection are shown on the Council's Website.
- 1.3.6 The Council's Website details what action the Council will undertake in respect of a Statutory Nuisance e.g. Noise but it's a bit vague in other areas.
- 1.3.7 The Duty System does not prioritise work; therefore 'Quick Win' cases are being dealt with first and possibly more important cases are not being acted upon in a timely manner. The Environmental Protection & Housing Divisional Manager is aware and is currently addressing this matter.
- 1.3.8 An original random sample of 20 HMO properties was selected to be checked on APP to ensure that inspections had been undertaken in accordance with service requirements and all necessary information had been recorded on APP in a consistent manner (using Service Request and

Housing screens appropriately). Due to inaccuracies found in all of the first 15 cases the remaining five were not tested.

- 1.3.9 The results of this testing have been forwarded to the Environmental Protection & Housing Divisional Manager and the Environmental Health Officer to follow up.

1.4 Audit Opinion

- 1.4.1 A Limited Assurance has been given on the system of internal control:

- 1.4.2 The audit makes 2 high, 2 medium and 2 low priority recommendations that aim to mitigate the risks within the above audit findings.

- 1.4.3 Recommendations relate to:

- The procedure documents currently under review by the Environmental Protection & Housing Divisional Manager to be amalgamated into a single procedure document / manual [Low];
- Procedure documents to be annotated with: Document Owner, Effective Date, Review Date and Version Number. These documents should then be reviewed and updated regularly [Medium];
- The contact details for Private Sector Housing (Environmental Health) and Public Protection should be updated on the Council's Website [Low];
- The internet should be updated to show what action, if any, the Council will undertake in respect of a particular Service Request [Medium];
- The results of this testing is followed up and corrective action undertaken [High]; and
- The inspection of HMO's to be monitored and corrective action undertaken to ensure inspections are carried out in accordance with legislative and service requirements [High].

2.1 Introduction

2.1.1 Housing Rents was previously the responsibility of Homes in Havering. When the service was brought back in house in October 2012, the administration of Housing Rents was split between two directorates. The initial elements of the process, such as setting up and maintaining rent accounts previously sat within the Resources directorate, with the collection of income and debt recovery elements of rents under the Children, Adults & Housing directorate. As a result of recent reporting changes, all teams now sit within Children, Adults & Housing.

2.1.2 As at the 18th December 2014 the Council had 9737 properties (excluding private sector properties) that generate income totaling £1,140,316.63 per week.

2.2 Objectives and Scope

2.2.1 The audit of Housing Rents was included in the 2014/15 Internal Audit plan to provide the Authority's management and the Audit Committee with an opinion on the effectiveness of the system of internal control in operation.

2.2.2 The audit was undertaken to provide assurance on the effectiveness of the system of internal control operating around the process of administering Housing Rents.

2.2.3 The audit examined the internal control environment applied to mitigate the following potential key risks:

- Non-compliance with local & legislative requirements;
- Over reliance on manual rather than system controls;
- Unauthorised amendments to accounts;
- Accounts not being updated with relevant changes / in a timely manner;
- Payments not being coded to the correct account;
- Tenants not being informed of charges / changes to charges;
- Rent accounts being incorrectly set up / not set up in a timely manner;
- Payments not being collected in full or at the right time;
- Debts not being recovered in a timely manner (Inc. former tenants arrears).
- Inappropriate write off of debts;
- Lack of robust audit trails to support transactions;
- Poor performance not being detected and rectified;
- Decisions are made based on incomplete, inaccurate or untimely management information; and
- Data not being protected from loss, damage or unauthorised disclosure.

2.3 Summary of Audit Findings

2.3.1 Housing rents relates to the letting of properties and the collection of rent and service charges for those properties. The process is delivered by a network

of teams whose individual roles feed into the overall process. Delays, work pressures and errors within one team can impact of the effectiveness of the process. At present, a mechanism to allow teams to liaise over potential operational issues has not been established.

- 2.3.2 In January 2014, the rental charge for Council properties was recalculated as part of the annual HRA budget setting process. At the same time, a decision was made to apply 'target rents' (in theory bringing council and housing association rents in line over time) to properties as they become void.
- 2.3.3 All properties and charges are recorded on a spreadsheet by the Rent Account Team. This spreadsheet is used annually by Finance to calculate the following year's charges and is uploaded into the OHMS system so that once a property is let the system can automatically apply the relevant charges.
- 2.3.4 When a property becomes available for let, an advert is produced which sets out the rent and service charge information for the property. Charges are taken from the Rent Account spreadsheet which is distributed to teams at the beginning of the year. Testing found a large number of adverts where the property charges did not align with the target rent and service charges for that property. Further discussion found that this was caused by misinterpretation of the spreadsheet data.
- 2.3.5 Whilst the OHMS system will apply the correct rent and service charges, there is a significant risk of the Council receiving adverse criticism for advertising properties at the wrong rate. If the tenant opts for an automated payment method such as direct debit, the error may be picked up early when the tenant notices a discrepancy in the payment amount. However, if the tenant does not pay by direct debit, there is an increased reliance on the tenant to pay the correct amount. For that reason, if the tenant pays the charges recorded on the advert and any subsequent documentation that may contain inaccurate charge information, the tenant will begin to incur arrears if the advertised rent and service charges are lower than the actual amounts. Only when arrears reach the relevant parameters will recovery action be instigated.
- 2.3.6 Whilst compliance checks are undertaken within the Lettings Team, more direct performance monitoring of individual staff members has not been embedded to monitor staff performance and compliance with expectations.
- 2.3.7 The Rent Account Spreadsheet is the main source of information on which the system data is built. Whilst charges in the system cannot be amended by anyone outside of the Rent Account Team, the spreadsheet is distributed to teams for information purposes. The audit identified that the spreadsheet was not protected from unauthorised amendment. As this spreadsheet is used by other teams to produce key documents, controls must be in place to safeguard the accuracy of the information.
- 2.3.8 The Council has a team of two part time officers whose role is dedicated to recovering debts for former tenants. This process is complicated by the fact that in most instances former tenants no longer live within the borough and a forwarding address is rarely available. Locating tenants can be time

consuming and requires the Council to pay to access external data. If and when tenants are located, established recovery processes are in place. Once exhausted, any court action also incurs the Council costs. The statute of limitations on debt recovery can impact on the ability for the Council to recover funds. Managing the existing debts, along with new debts, can be difficult and decisions must be made on the cost effectiveness of recovery. At the time of the audit the team was focusing on debts over six years old.

2.3.9 When debts can no longer be recovered, a write off request is produced. The reason for the write off is recorded within the request which is then passed to the team manager and the Housing Services Manager for approval. This process is intended to ensure that debts are not unnecessarily written off; however the review discovered one request that stated no evidence of previous recovery was found. Given that the level of former tenant arrears debts continues to grow and to reduce the potential for debts to be written off on the basis that they are statute barred, a risk based approach to recovery action should be adopted, including the need for regular review to ensure that accounts are being progressed through the appropriate recovery stages.

2.3.10 Write offs are classified to explain the reason for the debt being written off. This information is recorded on the write off request form, but is not recorded within the OHMS system therefore there is no management information available that allows the reason for write offs to be analysed.

2.3.11 Measurable performance indicators for the Rent Account Team have not been identified and as a result, measuring the performance of the team is difficult to assess. Performance indicators relevant to the Lettings Team are in place, but additional data is being captured that is not included in the existing performance monitoring process. Including this additional information in the Homes and Housing Service's regular performance monitoring arrangements would allow the performance of the team to be accurately measured.

2.3.12 Staff are aware that they are not permitted to access accounts of friends or family members, however this is largely communicated verbally and there is no evidence to support staff acceptance of this expectation.

2.4 Audit Opinion

2.4.1 Whilst there are adequate controls within Housing Rents there are sufficient control weaknesses to put the system objectives at risk. Therefore only **Limited Assurance** can be placed on system of internal control.

2.4.2 The audit makes three high and seven medium priority recommendations. The recommendations are designed to address weaknesses in the control environment and the implementation of the recommendations will enable the resulting risks to be mitigated. The recommendations comprise:

- The need for operational meetings between teams to be held, allowing a forum for communicating and resolving operational issues (Medium);
- The need for performance monitoring at an individual level to be introduced within the Lettings Team to ensure compliance and performance can be monitored (Medium);

- The need for property adverts to be subject to secondary review until such time that assurance can be gained that properties are being advertised with the correct rent and service charges (High);
- The need for the Income Team to be notified of the potential consequences of the errors made on the property adverts, to ensure that they are suitably informed when looking at enforcement of accounts that may have been affected by this error (Medium);
- The need for the Rent Account spreadsheet to be password protected (High);
- The need for a review to ensure that all former tenant accounts with arrears are moving through the recovery process (High);
- The need for write off data to be used to monitor the reasons by which the Council is writing off former tenant debts (Medium);
- The need to identify useful performance indicators for the Rent Account Team (Medium);
- The need for data being collected within the Lettings Team to be included in the existing performance monitoring process (Medium); and
- The need for evidence to be retained to support officers' acceptance of the rules regarding accessing accounts of friends and family (Medium).